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PROPOSED PROGRAM

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5-Year Outer Continental Shelf Oil and Gas Leasing Program for January 1987 - December 1991

Decision and Summary

FEBRUARY 1986

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PROPOSED PROGRAM

5-YEAR OUTER CONTINENTAL SHELF OIL AND GAS LEASING PROGRAM FOR JANUARY 1987 - DECEMBER 1991

UNITED STATES DEPARTMENT OF THE INTERIOR

MINERALS MANAGEMENT SERVICE

DECISION AND SUMMARY
FEBRUARY 1986

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SUMMARY OF THE PROPOSED 5-YEAR OUTER CONTINENTAL SHELF OIL AND GAS LEASING PROGRAM FOR 1987-1991

SUMMARY OF THE PROPOSED
5-YEAR OUTER CONTINENTAL SHELF (OCS) OIL AND GAS LEASING PROGRAM
FOR 1987 THROUGH 1991

I. INTRODUCTION

The Proposed Program slows the pace and scope of the new OCS leasing program as compared with the current program. It lengthens the period between sales in most areas from 2 to 3 years. It reduces the amount of acreage offered for lease by adopting the approach of focusing on promising acreage. This approach incorporates the policy of emphasizing consultation with coastal States and other affected parties with a view to the early resolution of conflicts--especially concerning acreage with low Minerals Management Service (MMS) resource estimates and low industry interest. Fifteen subareas are proposed to be deferred from leasing during the 5-year program and 13 other areas have been highlighted for further comment and analysis. In 21 of the 26 OCS planning areas, it schedules 27 standard sales, 10 frontier exploration sales, and 5 small supplemental sales.

The Proposed Program has the flexibility to satisfy the statutory requirement to meet national energy needs under a variety of conditions. It can respond both to recent declines in hydrocarbon prices and to potential changes in geopolitical or economic circumstances.

In addition, the Proposed Program continues policies and procedures which assure the receipt of fair market value.

II. BACKGROUND

The Department of the Interior (DOI) is currently preparing a new 5-year OCS Oil and Gas Leasing Program for 1987 through 1991. This will be the third 5-year program developed under the OCS Lands Act, as amended in 1978 (the act).

The act directs the Secretary of the Interior to prepare and maintain a 5-year program that he determines "will best meet national energy needs for the 5-year period following its approval . . . ." This requirement reflects the first purpose listed in the 1978 amendments to the act:

> to establish policies and procedures for managing the oil and natural gas resources of the Outer Continental Shelf which are intended to result in expedited exploration and development of the Outer Continental Shelf in order to achieve national economic and energy policy goals, assure national security, reduce dependence on foreign sources, and maintain a favorable balance of payments in world trade. . . .

The Proposed 5-Year OCS Oil and Gas Leasing Program has just been transmitted to the Governors of the affected coastal States, to Congress, and to the heads of affected Federal Agencies for review and comment. It will also be announced

in Federal Register Notices requesting comments on it and on DOI's draft environmental impact statement (EIS) on the new program. These notifications are intermediate steps in the approximately 2-year process of analysis and consultation required for development of a new 5-year OCS oil and gas leasing program. The process was begun in July 1984 with letters to coastal State Governors and Federal Agencies and a Federal Register Notice (49 FR 28332, July 11, 1984) requesting initial comments and information on development of the new 5-year program. The first proposed version of the new program, the Draft Proposed Program, was announced in the Federal Register on March 22, 1985 (50 FR 11585).

The Proposed Program consists of a proposed schedule of sales including presale milestones for the period January 1987 through December 1991 (see Figure 1 on page 10, below) and a selection of leasing policies. These policies concern the configuration of OCS planning areas, the size of sales as determined by the presale process, and the means of assuring the receipt of fair market value for lands leased and rights conveyed.

III. NATIONAL ENERGY NEEDS AND OCS LEASING

The guiding theme of the Proposed Program is that planning OCS lease sales for an unknown future requires flexibility. The need for flexibility is based on a recognition of the unavoidable limits on projections concerning geopolitical and economic conditions, potential benefits from production, and potential adverse effects of production.

Domestic Energy Supply and Demand

The Nation's production of oil and natural gas liquids peaked in 1970 and dry natural gas production peaked in 1973. The lower levels of production since the 1970s reflect the fact that America has not been finding enough new petroleum reserves to replace the oil and gas we have been using.

Production from the giant Prudhoe Bay oil field has both cushioned and masked this decline. If it were not for that one field, U.S. production would have plummeted nearly 30 percent over the past decade, instead of falling by only 5 percent. In the coming decade, however, production at Prudhoe Bay itself is expected to decline markedly.

Federal leasing of OCS areas for oil and gas exploration began in 1954 in the Gulf of Mexico. Gradually, OCS oil and gas lease sales were held in other areas as well--the Pacific, the Atlantic, and offshore Alaska. Thus, in many areas, the new program will reoffer areas that were bypassed in previous sales or leased, explored, and relinquished without discoveries. Reoffering these areas will allow companies to test new exploration theories and techniques.

Recent discoveries in the Gulf of Mexico, Southern California, and Alaskan OCS regions indicate that the potential for discoveries on the OCS is significant. Off the Southern California coast, for example, several large fields have been found.

Oil and gas from the OCS represented about 12 percent of our domestic oil production and 26 percent of our domestic natural gas production in fiscal year (FY) 1985. On a "barrel of oil equivalent (BOE)" basis, used as a common measure for hydrocarbons, OCS production provided about 3.29 million BOE per day in FY 1985, of which about 67 percent came from natural gas and about 33 percent came from oil and natural gas liquids.

Long Lead Times

The lead times needed to bring new fields into production are substantial. Preparing to hold a lease sale is a 2-year process. Several more years are needed to evaluate leased tracts, determine whether drilling is warranted, and drill exploratory wells. The time elapsed from leasing to initial production can extend from about 4 to 13 years, depending on operating conditions in the different regions. After oil or gas production begins, it usually lasts for several decades.

Thus, the new 5-year OCS leasing program is designed to help meet domestic energy supply requirements during the 1990s and the first quarter of the 21st century.

Revenue Benefits

Overall, since 1954, over $80 billion has been collected in Federal receipts from OCS leasing and production in the form of cash bonuses paid by industry to acquire leases, lease rental payments prior to production, and royalties on oil and gas produced from leases. Were it not for the Federal offshore leasing program, this more than $80 billion would have had to be made up through higher taxes, increased borrowing, or reductions in Government services. In addition, State and local governments receive revenues from taxes and earnings related to OCS activities. The Federal Treasury receives windfall profit taxes as well as taxes on OCS-related employee and corporate income.

In addition, over $5.8 billion has been spent from the Land and Water Conservation Fund and the Historic Preservation Fund over the last 20 years, and over three-quarters of that amount has come from Federal receipts from the OCS oil and gas leasing program.

Balance of Trade Benefits

In FY 1985, the United States spent over $52 billion to purchase foreign crude oil and petroleum products. If the United States did not import those hydrocarbons, our balance of trade deficit could be reduced by almost 40 percent. Increased domestic OCS production has the potential for reducing this enormous deficit.

National Security Benefits

As was demonstrated in 1973 and 1979, the disruption of oil supplies from abroad had the potential for disrupting our entire economy.

The 1984 Office of Technology Assessment Report, U.S. Vulnerability to an Oil Import Curtailment, estimates that a significant disruption of oil imports could result in a reduction of the Gross National Product of 3.5 to 6.2 percent, accompanied by an increase in unemployment of 1.7 to 2.3 percent.

The potential for similar shocks in the future remains. Indeed, as oil prices fall, imports are likely to rise. By the 1990s, the U.S. is likely to be even more vulnerable to an oil supply disruption.

OCS leasing can provide an efficient and reliable source of domestic supply as a hedge against the possibility of future oil supply disruptions and higher prices. OCS leasing thus helps meet both national energy and economic needs by helping to reduce dependence on oil imports.

IV. THE SETTING OF THE PROPOSED PROGRAM

REQUIREMENTS OF THE OCS LANDS ACT

The act requires that the program indicate, as precisely as possible, the size, timing, and location of lease sales and assure the receipt of fair market value for lands leased and rights conveyed. In addition, the act spells out in detail the process for consulting the public and the factors to be considered in formulating the new leasing program. These requirements were further defined by a July 1983 decision of the U.S. Court of Appeals for the District of Columbia Circuit, upholding the 1982 leasing program that is currently in effect.

The Consultation Process

The entire process takes about 2 years. It was initiated in July 1984 through a request for comments from the Governors of coastal States, interested Federal Agencies, the oil and gas industry, and the public. Over 160 responses were received in Summer 1984. Over 330 comments were received on the Draft Proposed Program in Spring 1985. A number of commenters made suggestions which were incorporated into the analysis for the Proposed Program. For example, infrastructure costs (such as local planning costs) were added to the social cost analysis and an analysis was done of approximately 100 subareas of the OCS, including subareas recommended by commenters for deferral from leasing.

The Proposed Program and the analyses on which it is based are being submitted for review to the Governors and local governments of coastal States, to Congress, and to the heads of affected Federal Agencies. It is also being announced in the Federal Register. Comments will be considered in the preparation of the Proposed Final Program and the final EIS.

The Analytical Requirements

The Proposed Program is based on a careful consideration of responses to the July 1984 and March 1985 requests for comments and on the following factors specified by the act:

- an equitable sharing of developmental benefits and environmental risks among the various regions of the United States;
- the relative energy needs of these regions and their location with respect to regional and national energy markets;
- existing and predictive information concerning the geographical, geological, and ecologic characteristics of each OCS region;
- other existing or anticipated uses of the sea and seabed, including fisheries, navigation, existing or proposed sealanes, and potential sites of deepwater ports;
- the interest of potential oil and gas producers in the development of oil and gas resources, as indicated by exploration or nomination;
- affected States' laws, goals, and policies which have been specifically identified by their Governors as relevant matters for the Secretary of the Interior to consider; and
- the relative environmental sensitivity and marine productivity of different areas of the OCS.

Under the act, the Secretary must select a leasing schedule that will consider these factors and strike a "proper balance between the potential for the discovery of oil and gas, the potential for environmental damage, and the potential for adverse impact on the coastal zone."

To satisfy these requirements, DOI analyzed various economic and environmental factors for each planning area. Both quantitative and qualitative factors were examined. These analyses will be refined, as necessary, for decisions on the Proposed Final Program.

THE ISSUANCE OF THE PROPOSED PROGRAM: THE INTERMEDIATE STAGE

Under the act, three successive versions of the new program must be submitted for review prior to final approval: the Draft Proposed Program; the Proposed Program; and the Proposed Final Program.

The Proposed Program contains both a schedule of proposed lease sales and a statement of the Secretary's program policies. The program's approach is necessarily flexible because many of the factors that affect OCS leasing are unpredictable. World oil price trends, international politics, the success or failure of various exploration strategies, and the development of new technologies for finding, producing, or refining oil and gas are but a few of the factors subject to continual change.

Until superseded by the Proposed Final Program in late 1986/early 1987, the Proposed Program will provide preliminary guidance for sales to be held after January 1, 1987. However, sales on the current schedule will continue to be held in accordance with the current schedule until the new program receives final approval, anticiptated in early 1987.

V. THE PROPOSED PROGRAM DECISION

The leasing schedule and program policies which comprise the Proposed Program include the following components:

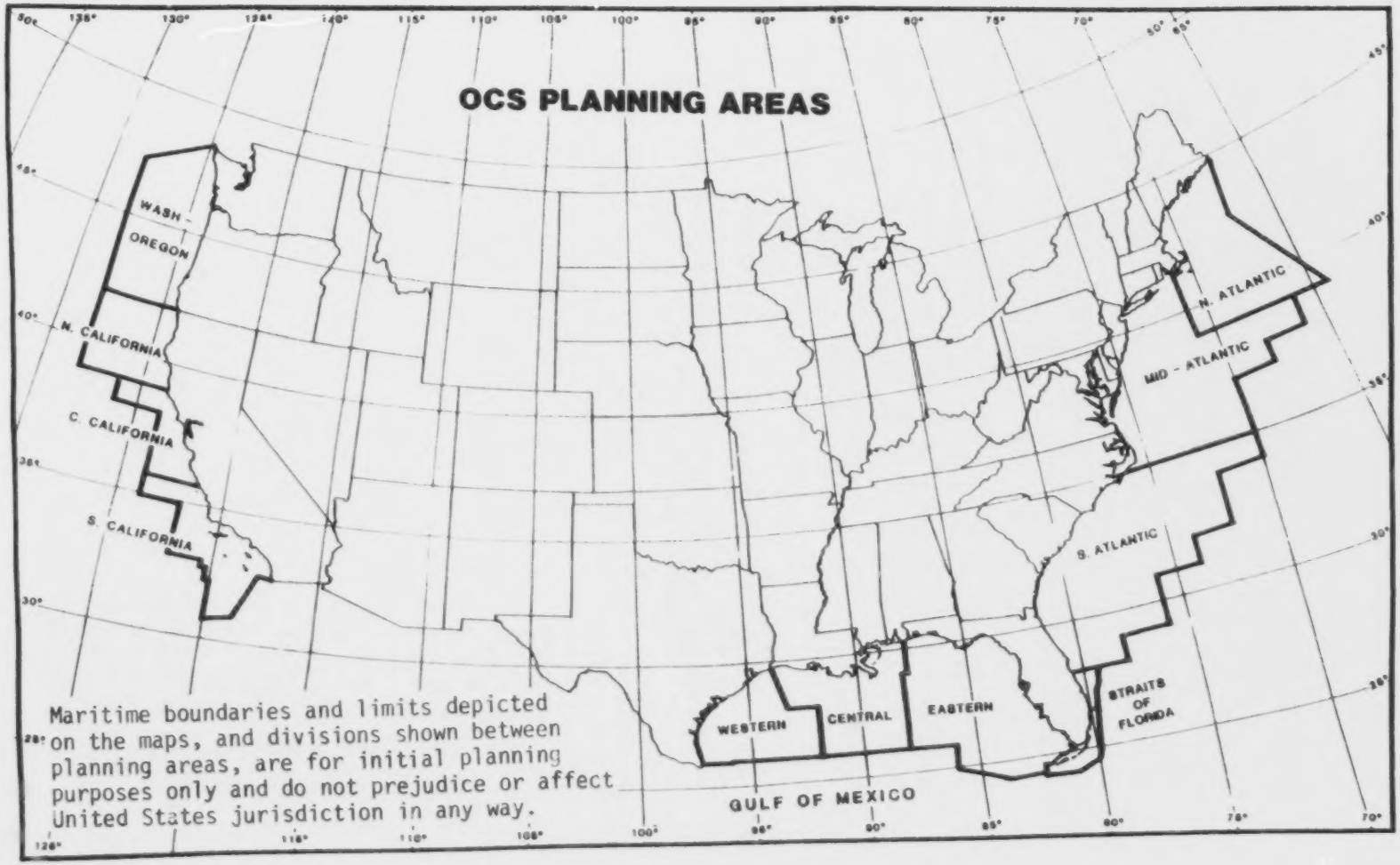
1. Planning Area Boundaries for the Proposed Program

The proposed configuration of OCS planning areas is depicted on Maps 1 and 2.

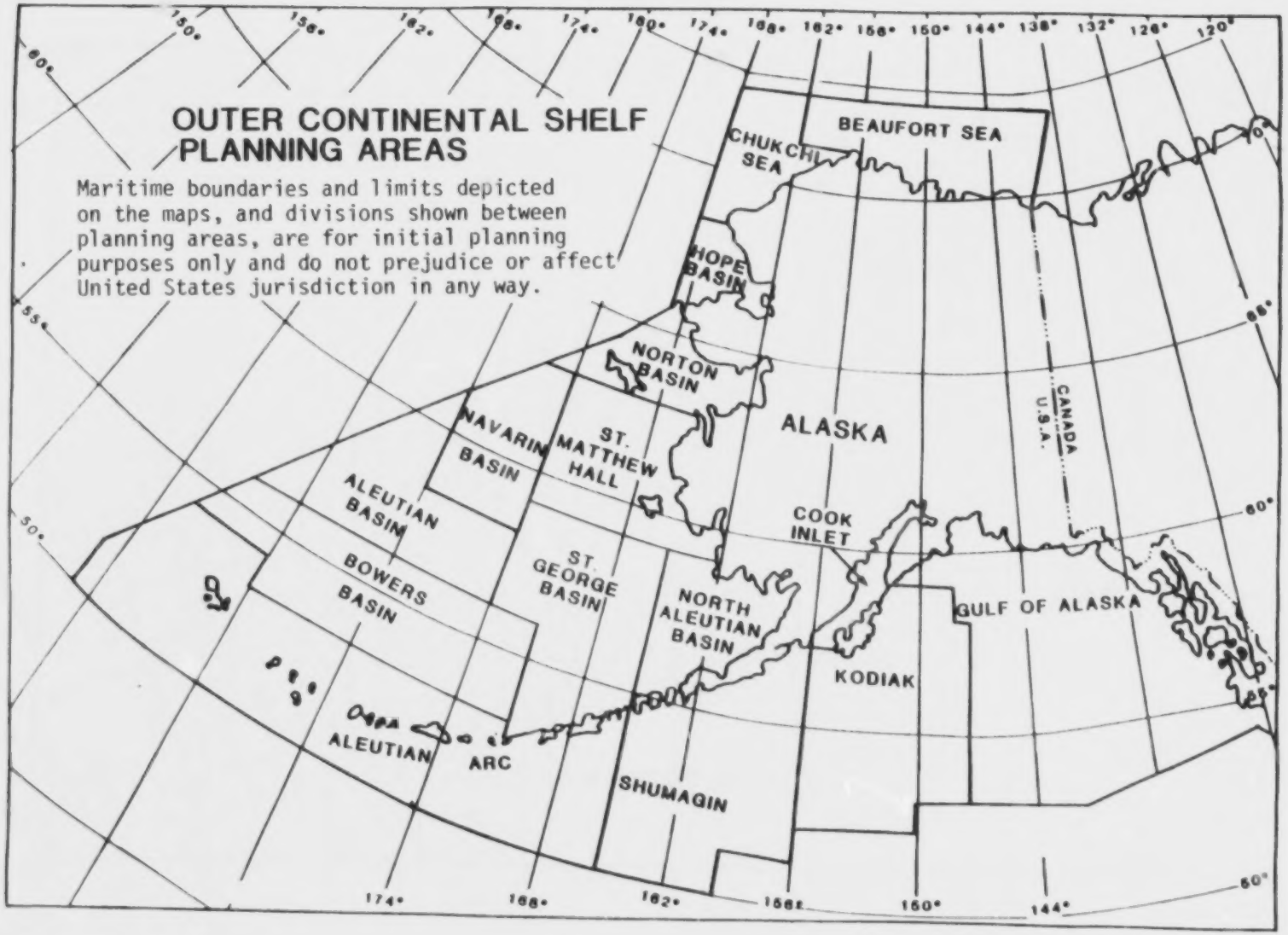
The configuration of several of those planning areas was further revised by the Secretary's decision to include in the Proposed Program a provision that would defer from leasing the following 15 portions of OCS planning areas ("subareas"): offshore California--the area offshore Pt. Reyes Wilderness, Pt. Reyes-Farallon Islands National Marine Sanctuary, the area offshore San Francisco Bay, the area in the immediate vicinity of Cordell Bank, the area offshore Monterey Bay, the area offshore Big Sur, the Santa Barbara Federal Ecological Preserve and Buffer Zone, Channel Islands National Marine Sanctuary, and the Coordinated Anti-Submarine Warfare Area (San Nicolas Basin); offshore Florida--Seagrass Beds, the Florida Middle Ground, and the Atlantic coast portion of the Straits of Florida planning area extending to 25°07' N. latitude; offshore Georgia--Gray's Reef National Marine Sanctuary; North Carolina--the U.S.S. Monitor National Marine Sanctuary and Buffer Zone; and offshore Texas--the Flower Garden Banks.

In addition, the Secretary highlighted the following 13 subareas for further analysis and comments: three subareas extending 15 nautical miles offshore, in the North, South, and Mid-Atlantic planning areas; the Gulf of Maine; the National Aeronautics and Space Administration Flight Clearance Zone offshore Cape Canaveral (extending to 170 nautical miles offshore); a subarea extending between 20 and 30 nautical miles offshore the Florida Gulf Coast from Naples to Apalachicola; the subarea south of 26° N. latitude and east of 82° W. longitude in the "Miami" official protraction diagram offshore Florida in the Eastern Gulf of Mexico; the three subareas estimated by MMS to be beyond the area of hydrocarbon potential in the Washington-Oregon, Northern California, and Central California planning areas; two subareas totaling approximately 210 blocks adjacent to Unimak Pass, Alaska, in the St. George Basin and the North Aleutian Basin planning areas; and a subarea of approximately 59 blocks offshore Point Barrow, Alaska.

Maps depicting these subareas and a list of block and acreage counts of the subareas deferred from leasing will appear in the draft EIS on the new program.


OCS PLANNING AREAS
WASH - OREGON
N. CALIFORNIA
C. CALIFORNIA
S. CALIFORNIA
WESTERN
CENTRAL
EASTERN
STRAITS OF FLORIDA
S. ATLANTIC
MID - ATLANTIC
N. ATLANTIC
GULF OF MEXICO
Maritime boundaries and limits depicted on the maps, and divisions shown between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.

Map 1


OUTER CONTINENTAL SHELF
PLANNING AREAS
Maritime boundaries and limits depicted on the maps, and divisions shown between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.
CHUKCHI SEA
BEAUFORT SEA
HOPE BASIN
NORTON BASIN
NAVARIN BASIN
ST. MATTHEW HALL
ALEUTIAN BASIN
BOWERS BASIN
ST. GEORGE BASIN
NORTH ALEUTIAN BASIN
ALASKA
CANADA
U.S.A.
COOK INLET
GULF OF ALASKA
KODIAK
ALEUTIAN ARC
SHUMAGIN
70°
65°
60°
55°
50°
174°
168°
162°
156°
150°
144°

Map 2

2. The Leasing Schedule for the Proposed Program

a. General

Over the 5-year period 1987-1991, the Proposed Program provides for 27 standard sales, 10 frontier exploration sales, and 5 small supplemental sales. These sales are scheduled in 21 of the 26 OCS planning areas. The Proposed Program schedules annual standard sales in the two highest-value, highest-interest areas, the Central and Western Gulf of Mexico. It proposes 27 standard or frontier exploration sales in 19 other areas, with approximately 3 years or longer between sales. The Proposed Program does not schedule any sales in Aleutian Arc, Aleutian Basin, Bowers Basin, St. Matthew-Hall, or the Straits of Florida. The question of whether to schedule a sale in the southern portion of the Straits of Florida planning area will be addressed in the decision on the Proposed Final Program.

The basic determinants of the sale schedule depicted in Figure 1 are the pace of leasing decided upon by the Secretary, the date of the last sale held or scheduled in a planning area, and other administrative considerations. Thus, on the one hand, a single sale is scheduled for Norton Basin in 1989 because that is 3 years after the 1986 Norton Basin Sale (Sale 100) and the 5-year period of the program ends before the subsequent 3-year cycle. On the other hand, two sales are scheduled in the Beaufort Sea (1987 and 1990) because the 3-year cycle starts with the 1984 Beaufort Sea Sale.

b. Flexibility Provisions

The Proposed Program contains three flexibility features: frontier exploration sales; supplemental sales; and the acceleration provision.

Frontier exploration sales are proposed for areas where incomplete geological data, MMS estimates of lower value, or current industry indications of lower interest call for an early decision point on whether to proceed with the standard presale process. For these sales, a Request for Interest soliciting industry interest in holding the sale will be published in the Federal Register approximately 4 months prior to the Call. Responses to that request, as well as the annual review of the program under section 18(e), will be used to help determine whether to proceed with the presale process. If interest is insufficient to justify proceeding with the sale, it can be delayed or cancelled. If delayed, a Request for Interest can then be reissued on a perennial or less frequent basis until interest is determined to be sufficient to hold the sale or the sale is cancelled. Ten frontier exploration sales are proposed: two in the North Atlantic and one in the Mid-Atlantic, the South Atlantic, Washington-Oregon, and the same five Alaska areas where such sales were scheduled in the Draft Proposed Program (Shumagin, Kodiak, Cook Inlet, Gulf of Alaska, and Hope Basin).

The proposed schedule also includes an annual supplemental sale for a small number of blocks in areas other than the Central and Western Gulf of Mexico in either of the following categories: blocks on which bids were rejected in the preceding year or drainage and development blocks. The reoffering of rejected bid blocks would diminish the cost of delay of leasing blocks demonstrated to be of interest to industry. This provision would reintroduce the concept of

see enclosed Figure#1

drainage sales on a basis compatible with the requirements of the OCS Lands Act Amendments of 1978 and similar to procedures of the State of Alaska (set forth in Alaska Statutes 38.05.180(d)). These blocks will only be offered after compliance with the requirements of the National Environmental Policy Act, the OCS Lands Act, and other applicable statutes. The environmental assessment documentation for each of these sales would be released prior to the proposed Notice of Sale. If it is determined that an EIS is required for one or more blocks to be offered in one of these sales, revised presale milestones would be issued.

The acceleration provision responds to the need to plan for an unknown future with limited information. Changes in the world energy market as well as exploration results in frontier areas can dramatically affect the demand for offshore leases. Thus, the 5-year program needs to have flexibility to adjust to major unforeseen developments. One means of providing such flexibility is the provision to permit the acceleration of leasing from triennial to biennial, if carefully defined criteria are met (but not so as to increase the total number of sales in any planning area in the approved program). The areas where such acceleration could be considered include: Southern California; Eastern Gulf of Mexico; Central California; Northern California; Navarin Basin; Beaufort Sea; North Aleutian Basin; and St. George Basin. Comments on possible criteria for acceleration are requested in the Federal Register Notice on the Proposed Program.

3. Size of Lease Sales

It is proposed that the size of lease sales be determined by a presale process which focuses on promising acreage. The Department uses an extensive consultation and balancing process to offer acreage where OCS leasing would be environmentally sound and has a potential for exploration for and development of oil and gas resources. In this process, the Department uses information and nominations obtained from affected States, local governments, Federal Agencies, the public, and potential bidders, as well as MMS analyses. Focusing on promising acreage aims at the early resolution of conflicts by the achievement of consensus on key issues--especially concerning acreage with low MMS resource estimates and low industry interest. Early steps in the presale process include the Call for Information and Nominations and the Area Identification. The Call depicts the area of hydrocarbon potential projected by MMS. The Call may be tailored on a case-by-case basis to exclude portions of the planning area (as in the exclusion of the Flower Garden Banks from the 1987 Western Gulf of Mexico Sale). In Area Identification, responses to the Call are used in structuring the area to be analyzed in the environmental impact statement. In addition to these early steps, consultation also occurs at several later steps in the presale process.

The presale process for Sale 94, Eastern Gulf of Mexico, illustrates the focusing process. Starting from a whole planning area of about 59 million acres, the acreage considered for the sale was progressively reduced to about 52 million acres, 37 million acres, and the 36 million acres offered in the final Notice of Sale. Less than one-half million acres received bids.

4. Assurance of Receipt of Fair Market Value in the Proposed Program

Section 18(a)(4) of the OCS Lands Act provides that leasing activities are to be conducted so as to assure receipt of fair market value for lands leased and rights conveyed. The Proposed Program maintains both the current procedures for assuring the receipt of fair market value and the current flexible policy for reconsidering

the basic approach of $150/acre as the minimum bid on a sale-by-sale basis. The Proposed Program also provides for a review of the criteria to be used in that reconsideration of the minimum bid level.

VI. ANALYTICAL BASIS FOR DECISIONS ON THE PROPOSED PROGRAM

A detailed analysis of the factors whose consideration is required by the OCS Lands Act is presented in the Secretarial Issue Document (SID) for the Proposed Program. A brief account of the analysis follows.

RESPONSES TO THE MARCH 1985 REQUESTS FOR COMMENTS

Comments were received from 12 Federal Agencies, 23 Governors, 14 State agencies, 4 Congressmen, 2 State legislators, 29 local government entities, 19 oil and gas industry members or associations, 21 environmental and other interest groups, and over 200 members of the general public.

The comments were used in the performance of the analyses required by the OCS Lands Act, the formulation of program options, and reaching decisions on those options. Industry rankings of planning areas by exploration and development interest is summarized in Table 1.

ESTIMATES OF RESOURCES, ECONOMIC BENEFITS, AND SOCIAL COSTS

Resources

For each OCS planning area, calculations were made of a range of estimates of undiscovered economically recoverable OCS oil and gas resources in tracts that are not expected to be leased before 1987. The presentation of ranges for these and other values is a new feature of the Proposed Program SID and is designed to reflect the uncertainty inherent in planning leasing and exploration for undiscovered resources (see Table 2).

Economic Benefits

Estimates were also made of the range of potential economic benefits that the Nation can realize from the exploration for and development of OCS oil and gas. In light of the recent decline in oil prices, the range of starting oil prices was set at $19-$29 per barrel. These estimates are displayed in the first column of data in Table 3.

Social Costs

Quantitative estimates were also made of the range of some of the potential social costs to the Nation (including environmental costs) that might be associated with development of the recoverable hydrocarbon resources in each OCS planning area. These estimates are displayed in the second column of data in Table 3.

The environmental and other social costs are probably overstated because the record of offshore oil and gas development in the United States is one of exceedingly safe and environmentally sound operations. In fact, the 1969 blowout in the Santa Barbara Channel is the only one in the course of drilling over 30,000 wells in State and Federal waters that resulted in a significant amount of oil reaching shore.

Table 1

Industry Interest in OCS Planning Areas
Spring 1985

	Overall Ranking/1	Range of Companies' Rankings/2
1	Central Gulf of Mexico	1 to 2
2	Western Gulf of Mexico	2 to 5
3	Beaufort Sea	1 to 6
4	Southern California	1 to 8
5	Eastern Gulf of Mexico	3 to 10
6	North Aleutian Basin	3 to 9
7	Central California	4 to 11
8	Navarin Basin	4 to 10
9	Northern California	4 to 11
10	Chukchi Sea	4 to 20
11	St. George Basin	8 to 17
12	Norton Basin	9 to 18
13	Hope Basin	9 to 19
14	North Atlantic	12 to 17
15	Mid-Atlantic	11 to 21
16	Cook Inlet	10 to 21
17	South Atlantic	12 to 22
18	Washington-Oregon	11 to 22
19	Straits of Florida	14 to 24
20	Gulf of Alaska	15 to 22
21	Shumagin	14 to 25
22	Kodiak	18 to 25
23	St. Matthew-Hall	16 to 26
24	Aleutian Basin	14 to 25
25	Bowers Basin	21 to 26
26	Aleutian Arc	20 to 26

/1 Rank order of mean (average) ranks of companies ranking the OCS planning area on the basis of interest in exploration and development.

/2 Reflects highest and lowest ranking by companies ranking the particular OCS planning area on the basis of interest in exploration and development.

Table 2

Estimates of Unleased Undiscovered OCS Oil and Gas Resources as of January 1987

Planning Area	Leasable Resources (Millions of barrels of oil equivalent (BOE)) Starting Prices* $19/bbl	$29/bbl
Central Gulf of Mexico	4,603	4,662
Western Gulf of Mexico	4,491	4,630
Southern California	1,046	1,264
Navarin Basin	178	785
South Atlantic	392	730
Eastern Gulf of Mexico	331	470
Northern California	281	414
Central California	320	405
Beaufort Sea	**	308
Mid-Atlantic	88	184
St. George Basin	**	160
Washington-Oregon	46	56
North Atlantic	35	74
Straits of Florida	6	6
Chukchi Sea	**	400
Gulf of Alaska	**	28
North Aleutian Basin	**	16
Norton Basin	**	12
Kodiak	**	**
Hope Basin	**	**
Shumagin	**	**
Cook Inlet	**	**

*The $19 and $29 per barrel starting oil prices reflect a range of weighted average prices of U.S. oil imports when the analysis began in 1984. These prices are then adjusted for real price growth and inflation to arrive at a January 1987 starting price of oil. Therafter, prices are adjusted assuming a 1 percent annual real price growth. These assumptions also apply to Table 3.

**Negligible (estimated to be less than 0.5 million BOE).

Table 3

Benefits and Costs of Leasing and Producing OCS Oil and Gas

as of January 1987

Planning Area	Benefits ($ 1987 Millions) (1A) @$19	Benefits ($ 1987 Millions) (1B) @$29	Costs ($ 1987 Millions) (2A) @$19	Costs ($ 1987 Millions) (2B) @$29	Net Benefits ($ 1987 Millions) (1A-2A) @$19	Net Benefits ($ 1987 Millions) (1B-2B) @$29
Central Gulf of Mexico	$17,860	$35,245	$40	$41	$17,820	$35,204
Western Gulf of Mexico	14,506	31,299	29	29	14,477	31,270
Southern California	3,975	9,088	17	20	3,958	9,068
South Atlantic	839	3,022	3	5	836	3,017
Central California	765	2,649	5	6	760	2,643
Northern California	910	2,463	5	6	905	2,457
Eastern Gulf of Mexico	675	2,379	5	6	670	2,373
Navarin Basin	121	2,591	7	27	114	2,564
Mid-Atlantic	198	723	1	2	197	721
Washington-Oregon	207	454	*	1	207	453
Beaufort Sea	*	678	*	6	*	672
St. George Basin	*	464	*	3	*	461
North Atlantic	85	258	1	1	84	257
Straits of Florida	14	33	*	*	14	33
Chukchi Sea	*	596	*	5	*	591
Gulf of Alaska	*	33	*	*	*	33
North Aleutian Basin	*	20	*	*	*	20
Norton Basin	*	20	*	*	*	20
Kodiak	**	**	**	**	**	**
Hope Basin	**	**	**	**	**	**
Shumagin	**	**	**	**	**	**
Cook Inlet	**	**	**	**	**	**

*Estimated to be less than 0.5 million $1987.

**Resources for these areas are estimated to be negligible (see Table 2), thus no production is expected, and social costs are estimated to be less than 0.5 million $1987.

Note: Oil price assumptions for this analysis are explained in Table 2.

Net Benefits

Net benefits of leasing and developing all of the estimated undiscovered oil and gas resources of the OCS are displayed in the third column of Table 3.

RELATIVE MARINE PRODUCTIVITY AND ENVIRONMENTAL SENSITIVITY

For the new program, the Department analyzed the distribution and environmental sensitivities of three ecological elements: coastal habitats; marine habitats; and plants and animals (biota).

In this part of the statutorily required analysis, sensitivity was determined by calculating the likely response of each of these elements to a possible environmental disturbance. In this respect, it was a "worst-case" analysis of events that America's offshore record indicates are unlikely to occur.

The results of this analysis were considered separately and also used to estimate social costs. Further consideration of this topic will appear in the EIS on the new program.

BALANCING CONSIDERATIONS

The OCS Lands Act directs the Secretary of the Interior to--

> "select the timing and location of leasing, to the maximum extent practicable, so as to obtain a proper balance between the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone."

To meet this requirement, DOI used the results of its analyses of resource potential, industry interest, costs, benefits, and environmental sensitivity along with a consideration of the other factors listed by the act.

Achieving a proper balance among the various goals and interests specified by the act is difficult because of the complexity of the issues involved. Although increased domestic production of oil and gas can cause environmental damage and adverse impacts on the coastal zone, it can also reduce tankered imports of oil and thus reduce the potential for environmental damage and adverse impact on the coastal zone. The discovery of OCS natural gas in particular has the added potential for reducing pollution, since it is an especially clean-burning fuel. Furthermore, the positive role that offshore production platforms can play as artificial reefs--creating new habitats and increasing productivity, species diversity and the overall number of fish and shellfish--demonstrates that OCS oil and gas production activities can help mitigate impacts on the coastal zone and provide both economic and environmental benefits for fishermen.

VII. NEXT STEPS

The Proposed Program has been submitted for review to the Governors of coastal States, the Congress, Federal Agencies, and the public. A draft EIS on the program will be issued shortly.

Comments on the Proposed Program will be considered carefully in the formulation of the Proposed Final Program.

Release of the Proposed Final Program and final EIS is planned for late 1986/early 1987. Secretarial approval of a final new 5-Year OCS Oil and Gas Leasing Program will follow appropriate consultation and a 60-day notification period before Congress and the President.

TEXT OF THE FEDERAL REGISTER NOTICE

ANNOUNCING THE PROPOSED PROGRAM

4310-MR

DEPARTMENT OF THE INTERIOR

Minerals Management Service

AGENCY: Minerals Management Service

ACTION: Request for Comments on the Proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 1987 through 1991.

SUMMARY: The Secretary of the Interior is issuing for review and comment the Proposed 5-Year OCS Oil and Gas Leasing Program for 1987-1991. The Proposed Program is an intermediate stage in the development of the new 5-year program pursuant to section 18 of the OCS Lands Act, as amended, and consists of a proposed delineation of OCS planning areas, a proposed schedule of sales to be held during the period 1987-1991, and a selection of proposed leasing policies. The Proposed Program is described and analyzed in a Secretarial Issue Document and a draft Environmental Impact Statement (EIS).

A copy of this Notice and other documents explaining the Proposed Program are being sent to the Governors of affected coastal States, to the Congress, and to the heads of affected Federal Agencies.

The Proposed Program for 1987-1991 proposes a number of changes to slow the pace and reduce the scope of leasing as compared with the current program: lengthening the period between sales in most areas from 2 to 3 years; and reducing the acreage to be offered for lease by adopting the approach of focusing on promising

acreage. This approach incorporates the policy of emphasizing consultation with coastal States and other affected parties with a view to the early resolution of conflicts. In 21 of the 26 OCS planning areas, the Proposed Program schedules 27 standard sales, 10 frontier exploration sales, and 5 small supplemental sales. The Proposed Program has the flexibility to satisfy the statutory requirements to meet national energy needs under a variety of conditions. It responds to recent declines in hydrocarbon prices while at the same time retaining the ability to meet national energy needs under changing geopolitical or economic circumstances. In addition, the Proposed Program continues policies and procedures which assure the receipt of fair market value.

This Notice invites public comment on the Proposed Program. Responses to this Notice will be considered for the Secretarial decision on the adoption of a Proposed Final Program in late 1986/early 1987. After a 60-day congressional and Presidential notification period, the Secretary can give final approval to the new program.

DATES: Comments must be received by May 8, 1986.

ADDRESSES: Comments should be submitted to the Deputy Associate Director for Offshore Leasing, Minerals Management Service (MMS), Mail Stop 641, 18th & C Streets, N.W., Washington, D.C. 20240. Hand deliveries to the Department of the Interior may be made to Room 2525 at that address. If any privileged or proprietary information which the respondent wishes to be treated as confidential is attached to comments, the envelope should be marked, "Contains Confidential Information".

FOR FURTHER INFORMATION CONTACT: Telephone contact may be made with Chris Oynes, Chief, Offshore Leasing Management Division, MMS, at (202) 343-6906 or Paul Stang, Chief, Branch of Program Development and Planning, MMS, at (202) 343-1072. Copies of descriptions of planning area boundaries, maps and block and acreage counts of subareas deferred from leasing, and maps of subareas highlighted for further analysis and comments can be obtained by calling Tim Redding at (202) 343-1072.

AUTHOR: Robert Samuels, Branch of Program Development and Planning, MMS.

SUPPLEMENTAL INFORMATION: The Proposed Program is the second of three preparatory versions of the new program prescribed by section 18 of the OCS Lands Act. Initiation of development of the first stage was announced in a July 11, 1984, request for comments published in the FEDERAL REGISTER (49 FR 28332). Completion of the first stage, the Draft Proposed Program, was announced in the FEDERAL REGISTER on March 22, 1985 (50 FR 11585). The consideration of public comments in response to those announcements was an important part of developing the Proposed Program.

Pursuant to section 18, the schedule and policies selected for the Proposed Program were based on a consideration of the factors specified by the act and provide "to the maximum extent practicable, a proper balance between the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone." The Proposed Program is also designed to allow all parties to plan for OCS leasing activities while providing sufficient flexibility to meet national energy needs under changing circumstances affecting the price and supply of oil and gas.

The proposals which comprise the Proposed Program will be reviewed at two later program development stages: the Proposed Final Program, planned for late 1986/early 1987; and final approval, following appropriate consultation and a 60-day congressional and Presidential notification period.

The following explanatory items appear at the end of this Notice: Figure 1, which depicts the leasing schedule selected for the Proposed Program; and Maps 1 and 2, depicting the planning areas.

1. Planning Area Boundaries for the Proposed Program

The proposed configuration of OCS planning areas is depicted on Maps 1 and 2.

The configuration of several of those planning areas was further revised by the Secretary's decision to include in the Proposed Program a provision that would defer from leasing the following 15 portions of OCS planning areas ("subareas"): offshore California--the area offshore Pt. Reyes Wilderness, Pt. Reyes-Farallon Islands National Marine Sanctuary, the area offshore San Francisco Bay, the area in the immediate vicinity of Cordell Bank, the area offshore Monterey Bay, the area offshore Big Sur, the Santa Barbara Federal Ecological Preserve and Buffer Zone, Channel Islands National Marine Sanctuary, and the Coordinated Anti-Submarine Warfare Area (San Nicolas Basin); offshore Florida--Seagrass Beds, the Florida Middle Ground, and the Atlantic coast portion of the Straits of Florida planning area extending to 25°07' N. latitude; offshore Georgia--Gray's Reef National Marine Sanctuary; offshore North Carolina--the U.S.S. Monitor National Marine Sanctuary and Buffer Zone; and offshore Texas--the Flower

Garden Banks. Maps depicting these subareas will appear in the draft EIS. Separate copies of those maps and a list of block and acreage counts for those subareas can be obtained by calling the contact person indicated above.

In addition, the Secretary highlighted the following 13 subareas for further analysis and comments: three subareas extending 15 nautical miles offshore, in the North, South, and Mid-Atlantic planning areas; the Gulf of Maine; the National Aeronautics and Space Administration Flight Clearance Zone offshore Cape Canaveral (extending to 170 nautical miles offshore); a subarea extending between 20 and 30 nautical miles offshore the Florida Gulf Coast from Naples to Apalachicola; the subarea south of 26° N. latitude and east of 82° W. longitude in the "Miami" official protraction diagram offshore Florida in the Eastern Gulf of Mexico; the three subareas estimated by MMS to be beyond the area of hydrocarbon potential in the Washington-Oregon, Northern California, and Central California planning areas; two subareas totaling approximately 210 blocks adjacent to Unimak Pass, Alaska, in the St. George Basin and the North Aleutian Basin planning areas; and a subarea of approximately 59 blocks offshore Point Barrow, Alaska.

Maps depicting these subareas will appear in the draft EIS. Separate copies of those maps can be obtained by calling the contact person indicated above.

2. The Leasing Schedule for the Proposed Program

a. General

Over the 5-year period 1987-1991, the Proposed Program provides for 27 standard sales, 10 frontier exploration sales, and 5 small supplemental sales. These sales are scheduled in 21 of the 26 OCS planning areas. The Proposed Program schedules annual standard sales in the two highest-value, highest-interest areas, the Central and Western Gulf of Mexico. It proposes 27 standard or frontier exploration sales in 19 other areas, with approximately 3 years or longer between sales. The Proposed Program does not schedule any sales in Aleutian Arc, Aleutian Basin, Bowers Basin, St. Matthew-Hall, or the Straits of Florida. A question about whether a sale should be scheduled in the southern portion of the Straits of Florida planning area for the Proposed Final Program appears at the end of this Notice.

The basic determinants of the sale schedule depicted in Figure 1 are the pace of leasing decided upon by the Secretary, the date of the last sale held or scheduled in a planning area, and other administrative considerations. Thus, on the one hand, a single sale is scheduled for Norton Basin in 1989 because that is 3 years after the 1986 Norton Sale (Sale 100) and the 5-year period of the program ends before the subsequent 3-year cycle. On the other hand, two sales are scheduled in the Beaufort Sea (1987 and 1990) because the 3-year cycle starts with the 1984 Beaufort Sea Sale.

b. Flexibility Provisions

The Proposed Program contains three flexibility features: frontier exploration sales; supplemental sales; and the acceleration provision.

Frontier exploration sales are proposed for areas where incomplete geological data, MMS estimates of lower value, or current industry indications of lower interest call for an early decision point on whether to proceed with the standard presale process. For these sales, a Request for Interest soliciting industry interest in holding the sale will be published in the FEDERAL REGISTER approximately 4 months prior to the Call. Responses to that request, as well as the annual review of the program under section 18(e), will be used to help determine whether to proceed with the presale process. If interest is insufficient to justify proceeding with the sale, it can be delayed or cancelled. If delayed, a Request for Interest can then be reissued on a perennial or less frequent basis until interest is determined to be sufficient to hold the sale or the sale is cancelled. Ten frontier exploration sales are proposed: two in the North Atlantic and one in the Mid-Atlantic, the South Atlantic, Washington-Oregon, and the same five Alaska areas where such sales were scheduled in the Draft Proposed Program (Shumagin, Kodiak, Cook Inlet, Gulf of Alaska, and Hope Basin).

Supplemental sales on an annual basis are included in the Proposed Program for a small number of blocks in areas other than the Central and Western Gulf of Mexico in either of the following categories: blocks on which bids were rejected in the preceding year (i.e., the year preceding the one in which the supplemental sale is scheduled by the 5-year program); or drainage and development blocks.

The reoffering of rejected bid blocks would diminish the cost of delay of leasing blocks demonstrated to be of interest to industry. This provision would reintroduce the concept of drainage sales on a basis compatible with the requirements of the OCS Lands Act Amendments of 1978 and similar to procedures of the State of Alaska (set forth in Alaska Statutes 38.05.180(d)). These blocks will only be offered after compliance with the requirements of the National Environmental Policy Act, the OCS Lands Act, and other applicable statutes. The environmental assessment documentation for each of these sales would be released prior to the proposed Notice of Sale. If it is determined that an EIS is required for one or more blocks to be offered in one of these sales, revised presale milestones would be issued.

The acceleration provision responds to the need to plan for an unknown future with limited information. Changes in the world energy market as well as exploration results in frontier areas can dramatically affect the demand for offshore leases. Thus, the 5-year program needs to have flexibility to adjust to major unforeseen developments. One means of providing such flexibility is the provision to permit the acceleration of leasing from triennial to biennial, if carefully defined criteria are met (but not so as to increase the total number of sales in any planning area in the approved program). The areas where such acceleration could be considered include: Southern California; Eastern Gulf of Mexico; Central California; Northern California; Navarin Basin; Beaufort Sea; North Aleutian Basin; and St. George Basin.

The question of whether to accelerate a sale in an area would be made on a sale-by-sale basis. Consideration of accelerating a particular sale would be initiated by any one of four criteria: 1) a finding by the Secretary that a new discovery in a planning area indicates that biennial leasing there is in the national interest; 2) activation of the International Energy Agency's oil sharing agreement; 3) drawdown of the Strategic Petroleum Reserve because of a severe oil supply disruption; or 4) a major disruption in Mideast oil shipments. Comments on possible economic criteria in particular are solicited at the end of this Notice.

The concept of acceleration, which was introduced in the Draft Proposed Program to provide flexibility, is still under development. Comments are requested on appropriate means of implementing acceleration, including criteria for considering it in a particular planning area. Such criteria would identify a necessary component of the decision for accelerating leasing. A decision by the Secretary that acceleration is appropriate would be based on close consultation with affected States and consideration of the Nation's energy needs, environmental factors--including the results of the Environmental Studies Program, and multiple-use factors.

The purpose of including the acceleration provision in an approved leasing program is so that its exercise would be the implementation of part of the program approved pursuant to section 18 rather than a significant revision of it.

3. Size of Lease Sales

The proposed presale process, focusing on promising acreage, determines the size of lease sales. The Department uses an extensive consultation and balancing process to offer acreage where OCS leasing would be environmentally sound and has a potential to lead to exploration for oil and gas resources. In this process, the Department uses information and nominations obtained from affected States, local governments, Federal Agencies, the public, and potential bidders, as well as MMS analyses. Focusing on promising acreage aims at the resolution of conflicts early in the presale process by the achievement of consensus on key issues--especially concerning acreage with low MMS resource estimates and low industry interest.

Early steps in the presale process include the Call for Information and Nominations and the Area Identification. The Call depicts the area of hydrocarbon potential projected by MMS. The Call may be tailored on a case-by-case basis to exclude portions of the planning area (as in the exclusion of the Flower Garden Banks from the 1987 Western Gulf of Mexico Sale). In Area Identification, responses to the Call are used in structuring the area to be analyzed in the EIS. In addition to these early steps, consultation also occurs at later steps in the presale process.

4. Assurance of Receipt of Fair Market Value in the Proposed Program

Section 18(a)(4) of the OCS Lands Act provides that leasing activities are to be conducted so as to assure receipt of fair market value for lands leased and rights conveyed. The Proposed Program maintains both the current

procedures for assuring the receipt of fair market value and the current flexible policy for reconsidering the basic approach of $150/acre as the minimum bid on a sale-by-sale basis. The Proposed Program also provides for a review of the criteria to be used in that reconsideration of the minimum bid level.

INFORMATION REQUESTED: This Notice has been prepared to obtain public views on the above proposals. Comments may be submitted on any topic related to the new 5-year program. Comments are requested in particular on the following specific topics.

1) The proposed configuration of planning area boundaries, including the deferral of leasing in the 15 subareas described above.

2) The 13 subareas highlighted for further analysis and comment: three subareas extending 15 nautical miles offshore in the North, South, and Mid-Atlantic planning areas; the Gulf of Maine; the National Aeronautics and Space Administration Flight Clearance Zone offshore Cape Canaveral (extending to 170 nautical miles offshore); a subarea offshore the Florida Gulf Coast extending between 20 and 30 nautical miles from shore from Naples to Apalachicola; the subarea south of 26° N. latitude and east of 82° W. longitude in the "Miami" official protraction diagram offshore Florida in the Eastern Gulf of Mexico; the three subareas estimated by MMS to be beyond the area of hydrocarbon potential in the Washington-Oregon, Northern California, and Central California planning areas; two subareas totaling approximately

210 blocks adjacent to Unimak Pass, Alaska, in the St. George Basin and North Aleutian Basin planning areas; and a subarea of approximately 59 blocks offshore Point Barrow, Alaska. Maps depicting these subareas will appear in the draft EIS and separate copies of them can be obtained by calling the contact person indicated above.

3) The appropriateness of the number of proposed sales and the interval between proposed sales; and, in particular, whether there should be biennial rather than triennial sales in the Eastern Gulf of Mexico.

4) The appropriateness of the location of proposed sales; and, in particular, whether there should be a sale in 1991 in that portion of the Straits of Florida planning area south of 25°07' N. latitude.

5) The proposed presale process of focusing on promising acreage; and, in particular, the following possible techniques for implementing that approach:

(A) The recommendation of Massachusetts that nomination procedures be revised so as to request more detailed information from industry on areas of interest prior to the issuance of the Call (to be displayed in the Call), and again after the issuance of the draft EIS.

(B) The recommendations of the American Petroleum Institute, the National Ocean Industries Association, and a number of oil and gas producers that nomination procedures be revised so as to request more detailed information concerning "negative nominations."

(C) A sale-by-sale decision on whether to publish a notice in the Federal Register announcing the availability of the MMS proposed Call area for industry interest review prior to the issuance of the Call.

6) The proposed means of pursuing flexibility in the new program in light of national energy needs and uncertainty over future oil and gas supplies and prices; and, in particular, the following possible economic criteria for the acceleration provision--

(I) Activation of the International Energy Agency's oil sharing agreement

(II) Drawdown of the Strategic Petroleum Reserve (SPR) because of a severe oil supply disruption

(III) Major disruption in Mideast oil shipments

(IV) Imports of crude oil and refined petroleum products (excluding those for the SPR) reach a specific percentage of the trade deficit over a specified period

(V) Imports of crude oil and refined petroleum products (excluding those for the SPR) reach a specific percentage of total domestic consumption of petroleum products over a specified period

(VI) The price of imported crude oil (U.S. refiners' acquisition cost as computed by the Energy Information Administration (EIA)) rises by a specified amount or percent over a specified period

(VII) Net imports of petroleum (excluding those for the SPR) are projected by EIA to equal or exceed a specified percent of U.S. consumption of refined petroleum products

(VIII) Oil prices are projected by EIA to increase by a specified amount or percent or reach a specified level.

In light of the reconfiguration of planning areas resulting from the 15 subarea deferrals proposed by the Secretary, industry respondents in particular are requested to re-rank all 26 planning areas of the OCS. Separate rankings are requested for: (i) hydrocarbon potential; and (ii) exploration and development interest. Both rankings should be based on estimates of resources expected to be unleased as of January 1987. Industry respondents are also asked to indicate

those areas in which they intend to operate or have serious interest in leasing or operating so that their rankings can be interpreted most usefully by MMS. Industry respondents are also requested to indicate whether the deferral of leasing in any of the subareas highlighted in comment topic 2, above, would result in a significant decrease in the rank of the affected planning area(s).

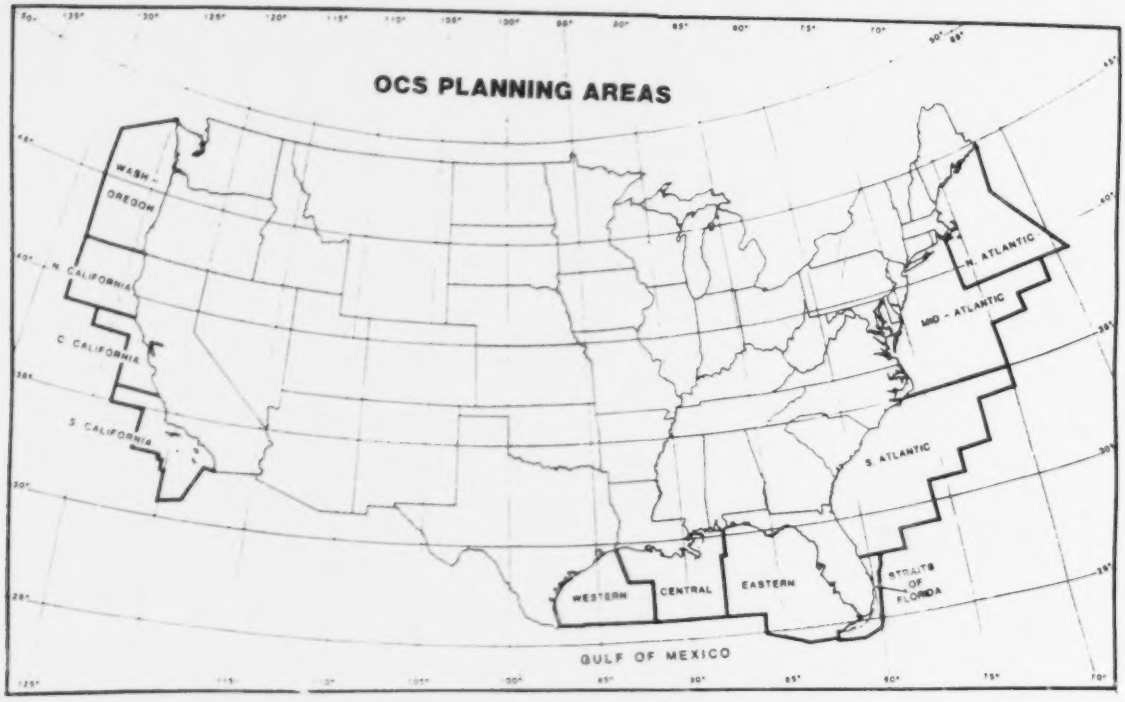
Confidential treatment of privileged or proprietary information is authorized under section 18(g) of the OCS Lands Act. In order that only rankings be treated as confidential, they should be submitted as an attachment to the other comments which a respondent submits. An attachment to a response containing privileged or proprietary information will, upon request, be treated as confidential from the time of receipt by MMS until 5 years after final approval of the next leasing program. However, summaries of rankings submitted to MMS, the names of respondents submitting rankings, and comments other than rankings will not be treated as confidential information.

Wm D Bettenberg FEB 4 1986

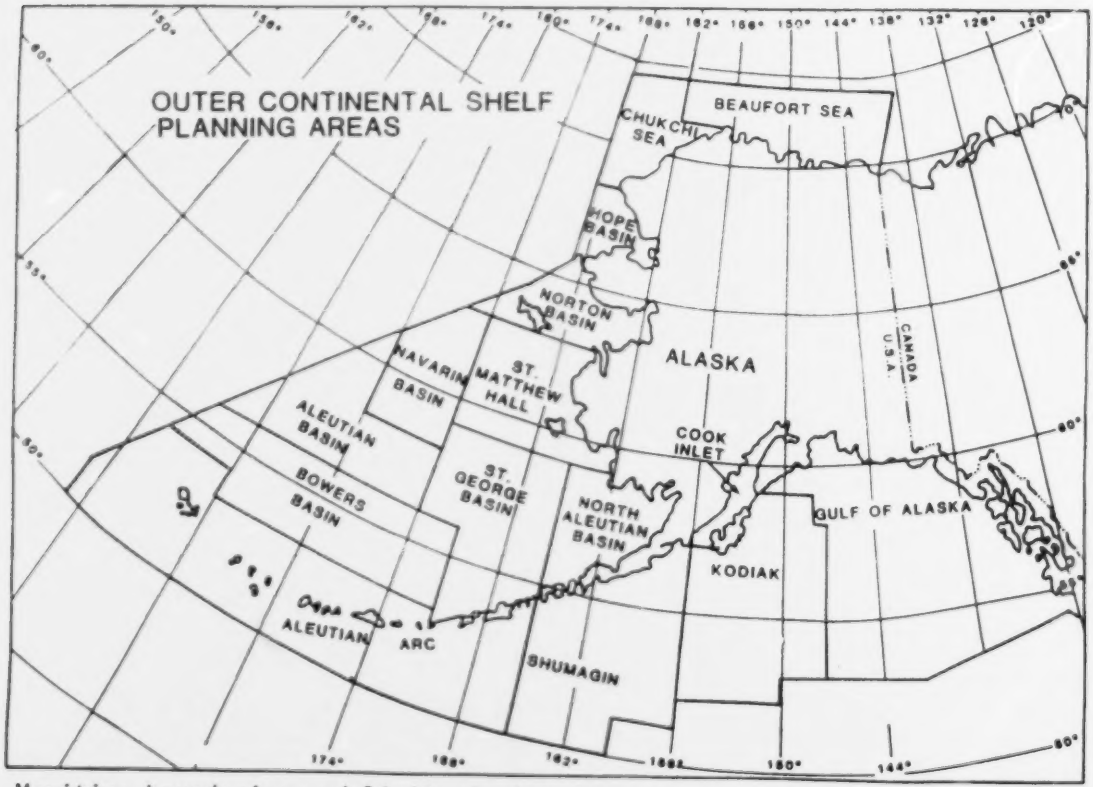
William D. Bettenberg
Director, Minerals Management Service Date

see enclosed Figure#1

Map 1



Map 2



Maritime boundaries and limits depicted on the maps and divisions shown between planning areas are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.

MAPS AND DESCRIPTIONS OF

PLANNING AREAS

SUBAREAS PROPOSED FOR DEFERRAL FROM LEASING

SUBAREAS HIGHLIGHTED
FOR FURTHER ANALYSIS AND COMMENTS

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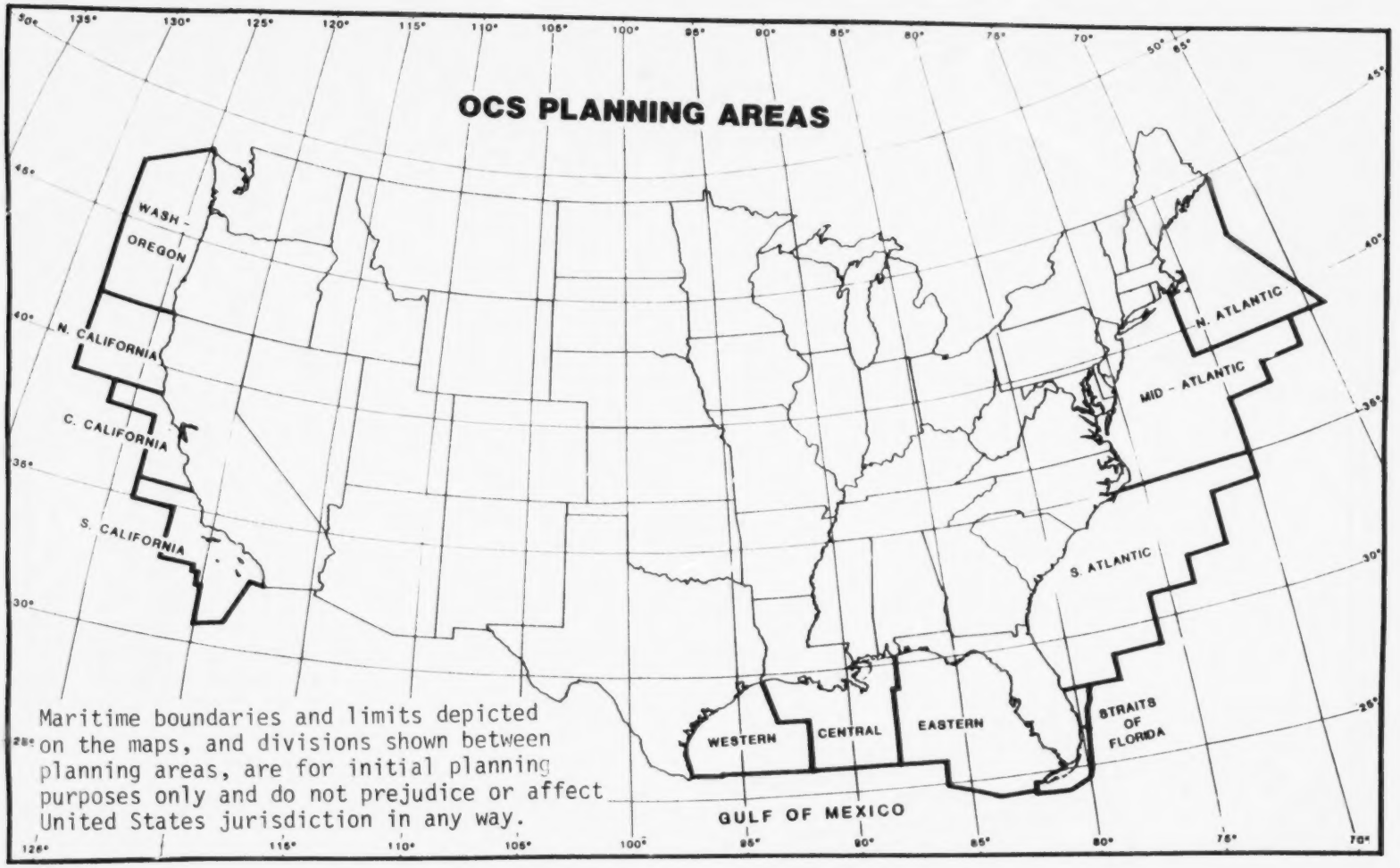
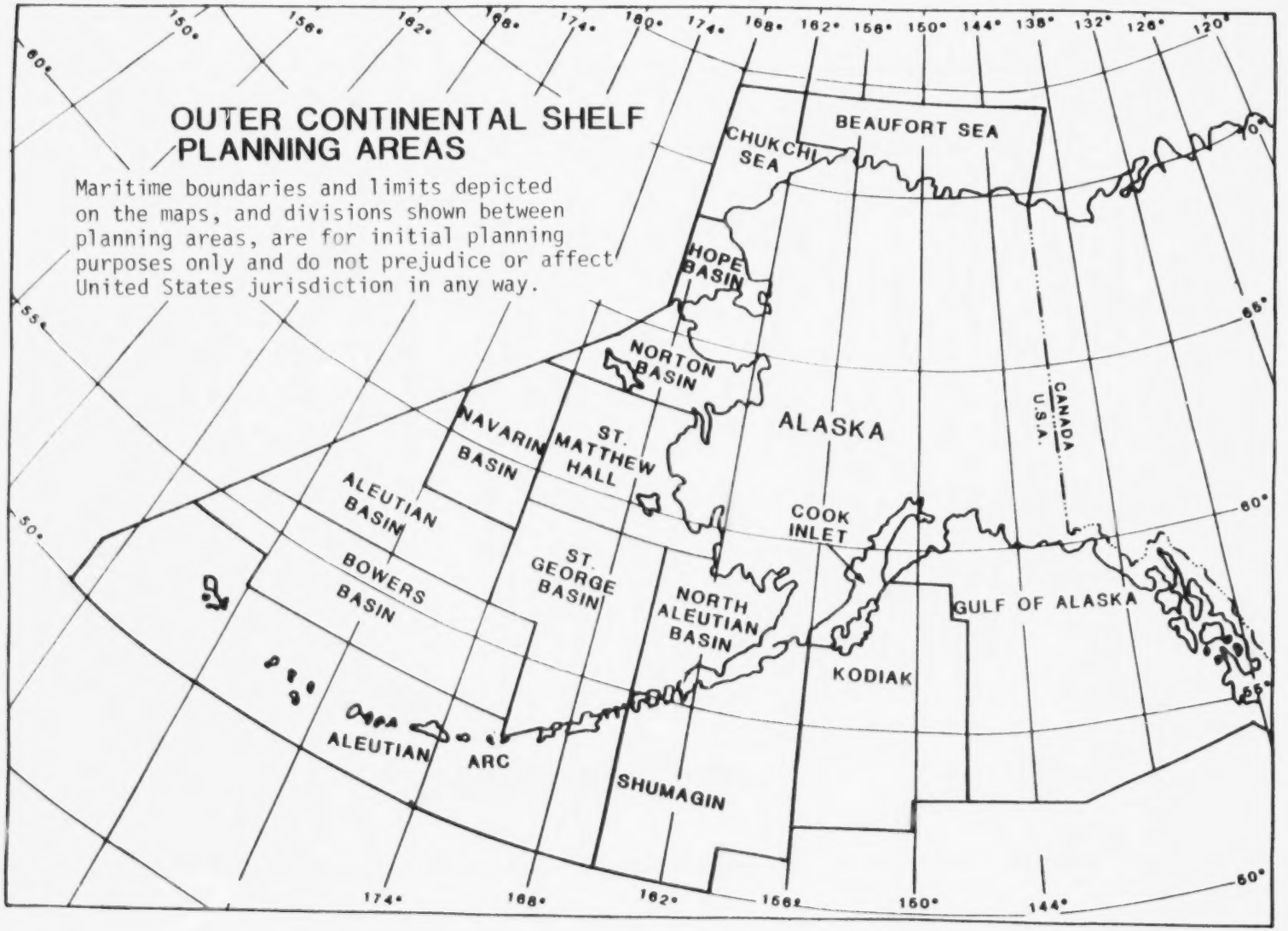

OCS PLANNING AREAS
WASH - OREGON
N. CALIFORNIA
C. CALIFORNIA
S. CALIFORNIA
N. ATLANTIC
MID - ATLANTIC
S. ATLANTIC
STRAITS OF FLORIDA
WESTERN
CENTRAL
EASTERN
GULF OF MEXICO
Maritime boundaries and limits depicted on the maps, and divisions shown between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.

Map 1


OUTER CONTINENTAL SHELF
PLANNING AREAS
Maritime boundaries and limits depicted on the maps, and divisions shown between planning areas, are for initial planning purposes only and do not prejudice or affect United States jurisdiction in any way.
BEAUFORT SEA
CHUKCHI SEA
HOPE BASIN
NORTON BASIN
ALASKA
CANADA
U.S.A.
NAVARIN BASIN
ST. MATTHEW HALL
ALEUTIAN BASIN
BOWERS BASIN
ST. GEORGE BASIN
COOK INLET
NORTH ALEUTIAN BASIN
GULF OF ALASKA
KODIAK
ALEUTIAN ARC
SHUMAGIN
174°
168°
162°
156°
150°
144°
60°
55°
50°

Map 2

(II) Planning Area Boundaries of the Outer Continental Shelf (OCS)*

1. North Atlantic: Extends south from the juncture of the territorial sea at approximately 71° W longitude to 39° N latitude thence east to the juncture of an extension of the U.S.-Canada Maritime Boundary thence north along that line and the maritime boundary to the territorial sea thence following the territorial sea to the point of origin.

2. Mid-Atlantic: Extends east from the juncture of the territorial sea at approximately 35° N latitude to 70° W longitude thence north to approximately 37° N latitude thence east to 68° W longitude thence north to approximately 38° N latitude thence east to 66° W longitude thence north to 39° N latitude thence west to 71° W longitude thence north to the territorial sea thence along the territorial sea to the point of origin, except for the U.S.S. Monitor National Marine Sanctuary and Buffer Zone.

3. South Atlantic: East from the juncture of the territorial sea at approximately 35° N latitude to 70° W longitude thence south to approximately 34° N latitude thence west to 72° W longitude thence south to approximately 32° N latitude thence west to 74° W longitude thence south to approximately 31° N latitude thence west to 76° W longitude thence south to approximately 29° N latitude thence west to 78° W longitude thence south to 28°17'10" N latitude thence west to the territorial sea limits thence north along the territorial sea to the point of origin, except for the Gray's Reef National Marine Sanctuary.

4. Straits of Florida**: East from the juncture of the territorial sea at 28°17'10" N latitude to 79°11'24" W longitude thence southwest along the line of U.S. jurisdiction to approximately 81°13' W longitude at 23°55' N latitude thence west to 83° W longitude thence north to the territorial sea abutting the Dry Tortugas thence east to the limits of the territorial sea thence along the territorial sea to the point of origin, except for the subarea north of approximately 25°07' N latitude.

5. Eastern Gulf of Mexico: South from the territorial sea at approximately 87°45' W longitude to approximately 29° N latitude thence west to approximately 87°55' W longitude thence south to approximately 26° N latitude thence east to approximately 85°55' W longitude thence south to the limit of U.S. jurisdiction thence southeast to approximately 83°55' W longitude at approximately 23°55' N latitude thence east to 83° W longitude thence north to the limits of the

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* This table describes the outer boundaries of the OCS planning areas. Subareas deferred from leasing in the Proposed Program are listed at the end of each planning area description and depicted in the map packet.

** No sales are scheduled in this planning area in the Proposed Program.

territorial sea thence east to approximately 82°25' W longitude thence north and east along the territorial sea to the limits of U.S. jurisdiction thence along the territorial sea to the point of origin, except for the Seagrass Beds off Florida and the Florida Middle Ground.

6. Central Gulf of Mexico: South from the territorial sea at approximately 87°45' W longitude to approximately 29° N latitude thence west to approximately 87°55' W longitude thence south to approximately 26° N latitude thence west to approximately 91°55' W longitude, except that between approximately 88°23' W longitude and 91°05' W longitude the boundary is the U.S.-Mexico Provisional Maritime Boundary, thence north to approximately 27°55' N latitude thence generally west to approximately 93°25' W longitude thence northwest to the juncture of the territorial sea at approximately 93°50' W longitude thence east along the territorial sea to the point of origin.

7. Western Gulf of Mexico: East from the territorial sea along the U.S.-Mexico Provisional Maritime Boundary to 93°26'42.19" W longitude thence along approximately 26° N latitude to approximately 91°55' W longitude thence north to approximately 27°55' N latitude thence generally west to approximately 93°25' W longitude thence northwest to the juncture of the territorial sea at approximately 93°50' W longitude thence along the territorial sea to the point of origin, except for the Flower Garden Banks.

8. Southern California: West along a line extending from the territorial sea at approximately 35°47' N latitude to approximately 124° W longitude thence south to approximately 34°58' N latitude thence east to approximately 122° W longitude thence south to approximately 32°55' N latitude thence east to approximately 121°40' W longitude thence south to approximately 32°40' N latitude thence east to approximately 120°20' W longitude thence south to approximately 32°10' N latitude thence east to 120° W longitude thence south to the U.S.-Mexico Provisional Maritime Boundary thence along the U.S.-Mexico Provisional Maritime Boundary to the territorial sea thence along the territorial sea to the point of origin, except for the Santa Barbara Federal Ecological Preserve and Buffer Zone; the Channel Islands National Marine Sanctuary; and the Coordinated Antisubmarine Warfare Area (San Nicolas Basin).

9. Central California: West along a line extending from the territorial sea at approximately 35°47' N latitude to approximately 124° longitude thence north to approximately 37°59' N latitude thence west to approximately 126° W longitude thence north to approximately 38°46' N latitude thence east to the territorial sea thence along the territorial sea to the point of origin, except for the subarea offshore Point Reyes Wilderness Area, Point Reyes-Farallon Islands National Marine Sanctuary, the area in the immediate vicinity of Cordell Bank, the area off San Francisco Bay, the area offshore Monterey Bay, and the area offshore Big Sur.

10. Northern California: West along a line extending from the territorial sea at approximately 38°46' N latitude to approximately

128° W longitude thence north to approximately 42° N latitude thence east to the territorial sea thence along the territorial sea to the point of origin.

11. Washington-Oregon: West along a line extending from the territorial sea at approximately 42° N latitude to 128° W longitude thence north to the limits of U.S. jurisdiction thence northeast along the limits of U.S. jurisdiction to 48°29'37.19" N latitude at 124°43'33.19" W longitude thence due south to the territorial sea thence along the territorial sea to the point of origin.

12. Beaufort Sea: West from the juncture of U.S. jurisdiction at 73° N latitude to 162° W longitude thence south to 71° N latitude thence east to the limits of the territorial sea thence east to the limit of U.S. jurisdiction thence north to the point of origin.

13. Chukchi Sea: East from the U.S.-Russia Convention Line along 73° N latitude to 162° W longitude thence south to 71° N latitude thence east to the limits of the territorial sea thence generally southwest to approximately 68°20' N latitude at 167° W longitude thence west to the U.S.-Russia Convention Line thence north to the point of origin.

14. Hope Basin: Extends west from the juncture of the territorial sea at 68°20' N latitude to the U.S.-Russia Convention Line thence south along the U.S.-Russia Convention Line to 65°35' N latitude thence east to the limits of the territorial sea thence along the territorial sea to the point of origin.

15. Norton Basin: Extending west from the juncture of 65°35' N latitude at 168°15' W longitude to the U.S.-Russia Convention Line thence generally southwest along that line to approximately 63° N latitude at 175° W longitude thence east to the territorial sea thence along the territorial sea to the point of origin.

16. Navarin Basin: Extends southwest from the juncture of approximately 63° N latitude at the U.S.-Russia Convention Line along that line to 180° W longitude thence south to approximately 58° N latitude thence east to 174° W longitude thence north to approximately 63° N latitude thence west to the point of origin.

17. St. Matthew-Hall**: West from the territorial sea at approximately 63° N latitude at 165° W longitude to 174° W longitude thence south to approximately 59° N latitude thence east to the territorial sea thence following the territorial sea to the point of origin.

18. St. George Basin: South from 59° N latitude at 174° W longitude to 56° N latitude thence east to 171° W longitude thence south to approximately 52°35' N latitude thence east to the limits of the territorial sea thence following the territorial sea east to

** No sales are scheduled in this planning area in the Proposed Program.

approximately 170°30' W longitude at 52°40' N latitude thence east to the limit of the territorial sea at approximately 52°46' N latitude thence following the territorial sea to approximately 52°48' N latitude thence east to the limit of the territorial sea thence northeast to 165° W longitude thence north to 59° N latitude thence west to the point of origin.

19. North Aleutian Basin: West from 161°52' W longitude at approximately 59° N latitude to 165° W longitude thence south to the intersection with the territorial sea thence following the territorial sea to the point of origin.

20. Shumagin: Extends south from a point at approximately 54°30' N latitude and 165° W longitude to 50° N latitude thence east to 159° W longitude thence north to 51° N latitude thence east to 156°W longitude thence north to 57° N latitude thence west to the territorial sea thence southwest along the territorial sea to the point of origin.

21. Cook Inlet: Extends east from approximately 56°57' N latitude at 156°25' W longitude to the intersection with the territorial sea thence generally northeast along the territorial sea to approximately 152°27' W longitude thence north to the territorial sea thence around the territorial sea to approximately 59° N latitude at 152° W longitude thence north to the territorial sea thence following the territorial sea to the point of origin.

22. Kodiak: Extends east from 57° N latitude at 156° W longitude to the territorial sea thence generally northeast along the territorial sea to approximately 152°27' W longitude thence north to the territorial sea thence around the territorial sea to approximately 59° N latitude thence east to 148° W longitude thence south to 58° N latitude thence east to 147° W longitude thence south to 53° N latitude thence west to 150° W longitude thence south to 52° N latitude thence west to 156° W longitude thence north to the point of origin.

23. Gulf of Alaska: Extends south from approximately 151°55' W longitude at 59°05' N latitude to the territorial sea at approximately 59° N latitude thence east to 148° W longitude thence south to 58° N latitude thence east to 147° W longitude thence south to 53° N latitude thence east to 141° W longitude thence generally northeast along the Fishery Conservation Line to the territorial sea thence along the territorial sea to the point of origin.

24. Aleutian Basin**: East from the juncture of approximately 56° N latitude at the U.S.-Russia Convention Line to 174° W longitude thence north to approximately 58° N latitude thence west to 180° longitude thence north to the juncture of the U.S.-Russia Convention Line thence along that line to the point of origin.

** No sales are scheduled in this planning area in the Proposed Program

25. Bowers Basin**: East from the juncture of approximately 56° N latitude at the U.S.- Russia Convention line to 171° W longitude thence south to approximately 53° N latitude thence west to 174° E longitude thence north to approximately 54° N latitude thence west to the U.S.-Russia Convention Line thence along that line to the point of origin.

26. Aleutian Arc**: East from the juncture of the U.S.-Russia Convention Line at approximately 54° N latitude to 174° E longitude thence south to approximately 53° N latitude thence east to 171° W longitude thence south to approximately 52°35' N latitude thence east to the limits of the territorial sea thence following the territorial sea east to approximately 170°30' W longitude at 52°40' N latitude thence east to the limit of the territorial sea at approximately 52°46'N latitude thence following the territorial sea to approximately 52°48' N latitude thence east to the limit of the territorial sea thence northeast to 165° W longitude thence south to approximately 50° N latitude thence west to approximately 167° E longitude thence north to the U.S.-Russia Convention Line thence along that line to the point of origin.

** No sales are scheduled in this planning area in the Proposed Program.

III) Subareas Proposed For Deferral From Leasing (Individual subarea block and acreage counts include whole and partial blocks and do not eliminate overlap between subareas. All figures are approximate.)

A) Offshore California

1) The area off Pt. Reyes Wilderness - 110 blocks, 417,979 acres.

2) Pt. Reyes-Farallon Islands National Marine Sanctuary - 157 blocks, 645,444 acres.

3) The area offshore San Francisco Bay - 17 blocks, 63,829 acres.

[Net deferral of subareas 1, 2, and 3 - 191 blocks, 828,877 acres.]

4) The area in the immediate vicinity of Cordell Bank - 8 blocks, 12,896 acres (within the 91 meter isobath).

5) The area offshore Monterey Bay - 104 blocks, 516,315 acres.

6) The area offshore Big Sur - 460 blocks, 2,497,917 acres.

7) Santa Barbara Federal Ecological Preserve and Buffer Zone - 15 blocks, 55,197 acres.

8) Channel Islands National Marine Sanctuary - 175 blocks, 478,529 acres.

9) The Coordinated Anti-Submarine Warfare Area (San Nicolas Basin) - 160 blocks, 921,600 acres.

B) Offshore Florida

10) Seagrass Beds - 186 blocks, 836,093 acres.

11) The Florida Middle Ground - 23 blocks, 132,480 acres.

12) The Atlantic coast portion of the Straits of Florida planning area - 982 blocks, 5,086,859 acres.

C) Offshore Georgia

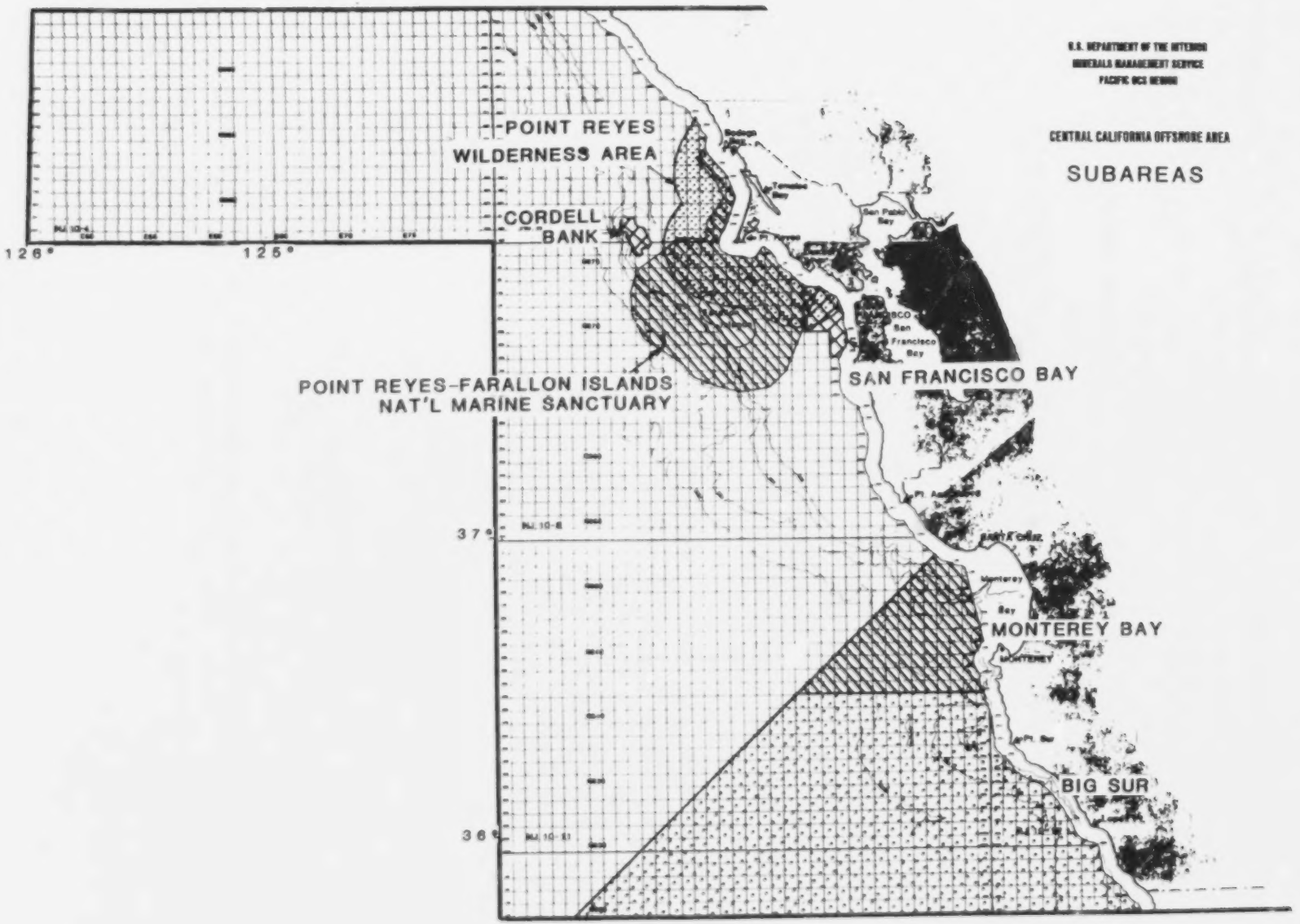
13) Gray's Reef National Marine Sanctuary - Portions of 6 blocks, 14,137 acres.

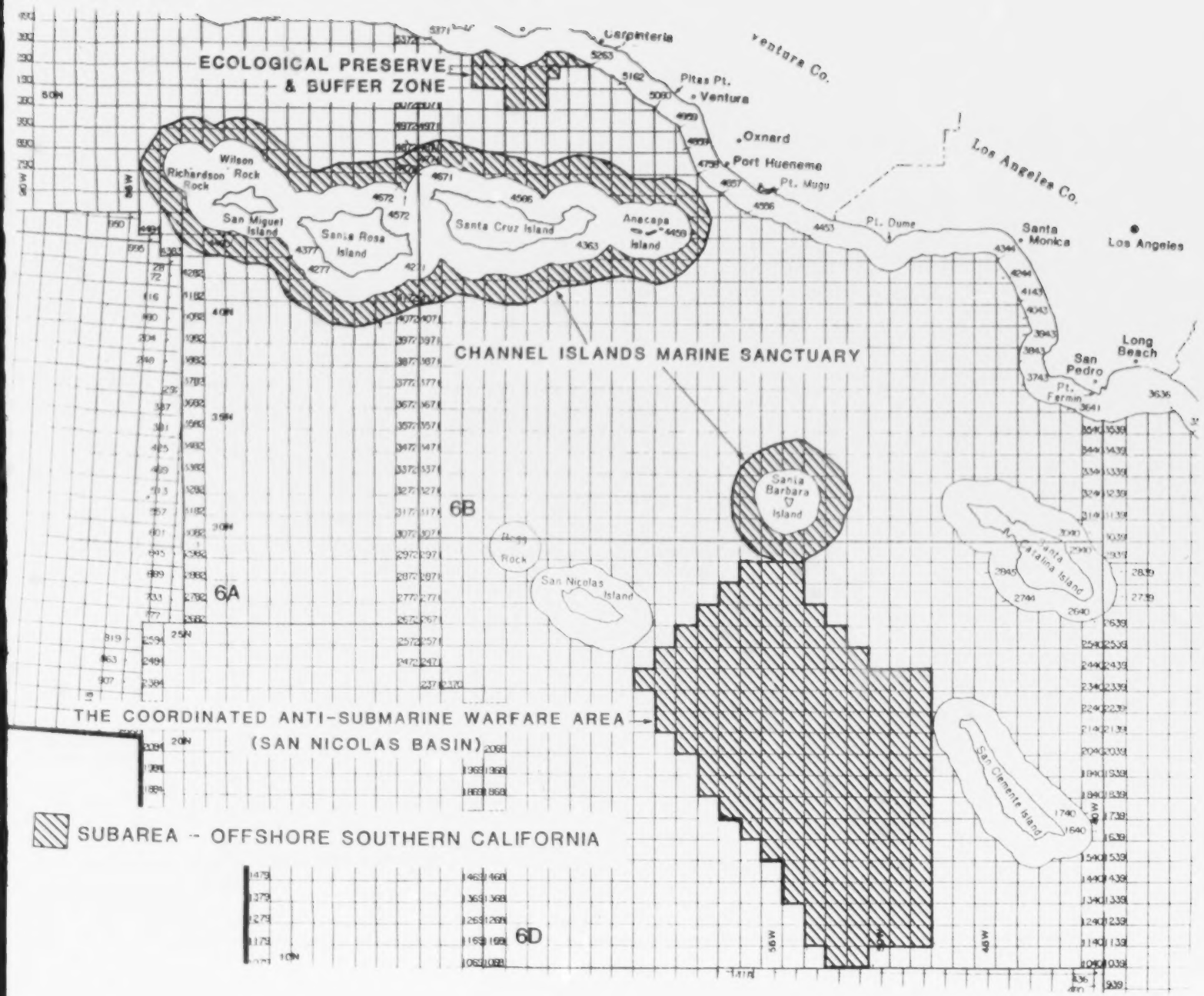
D) Offshore North Carolina

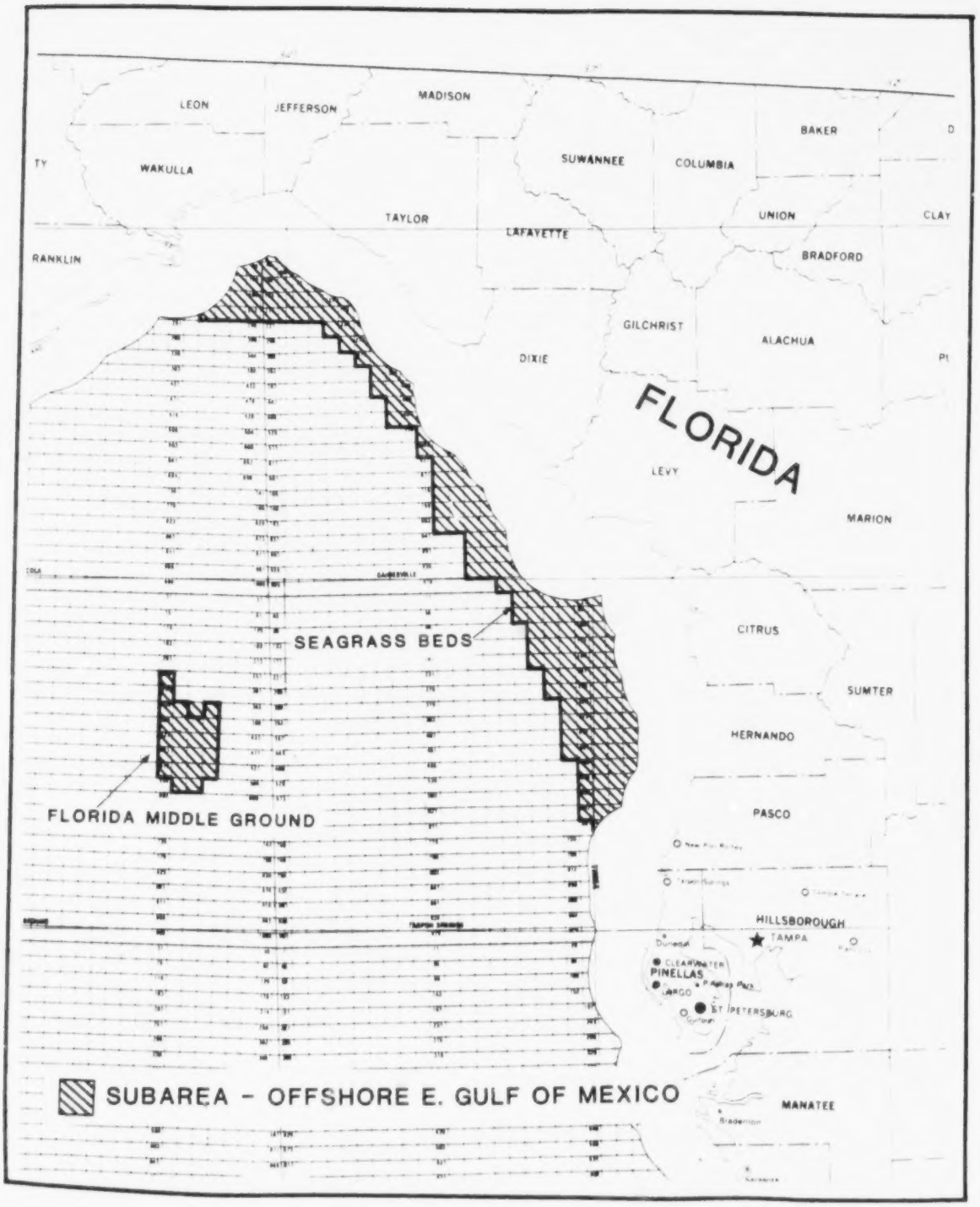
14) The U.S.S. Monitor National Marine Sanctuary and Buffer Zone - 6 blocks, 34,159 acres.

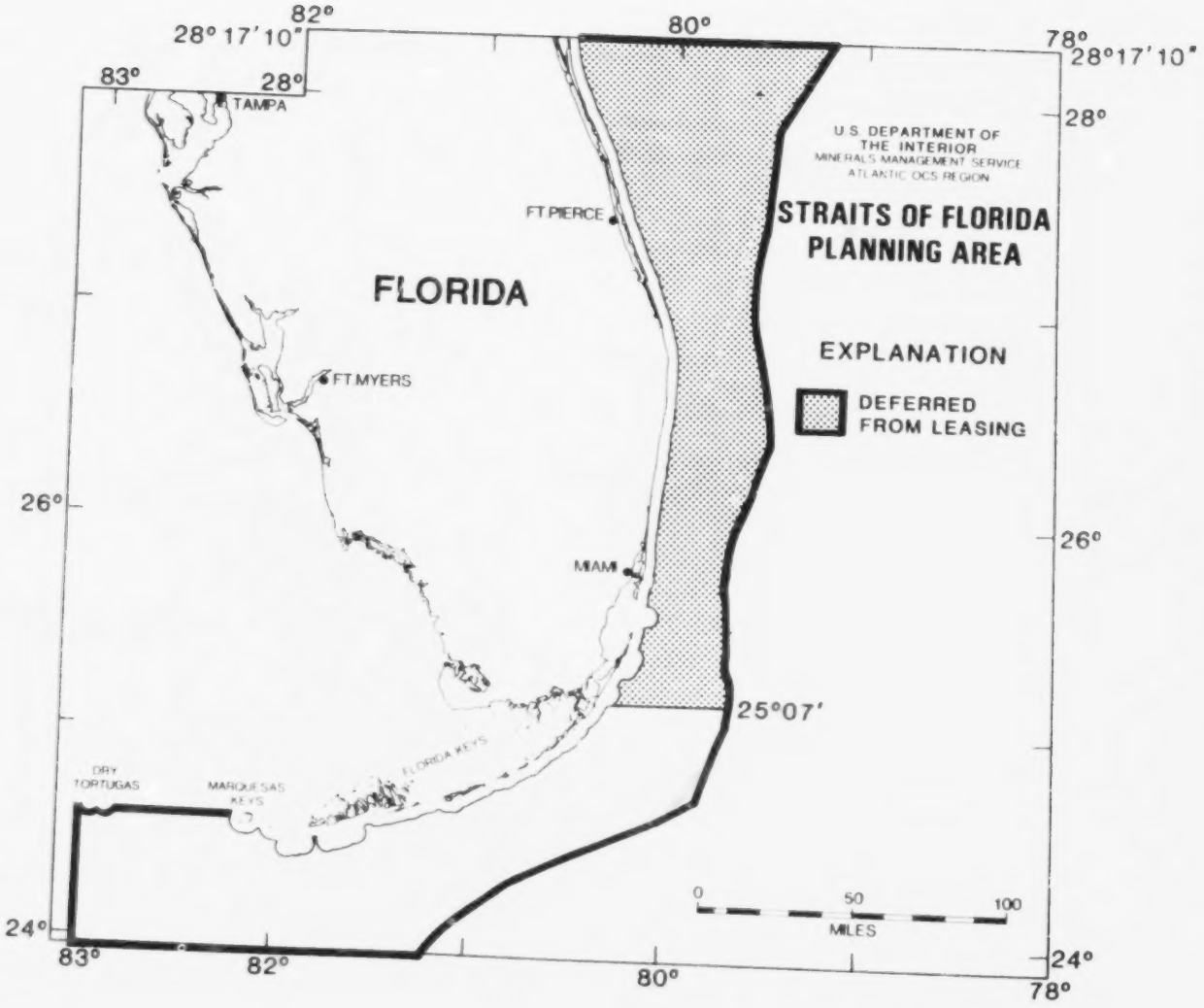
E) Offshore Texas

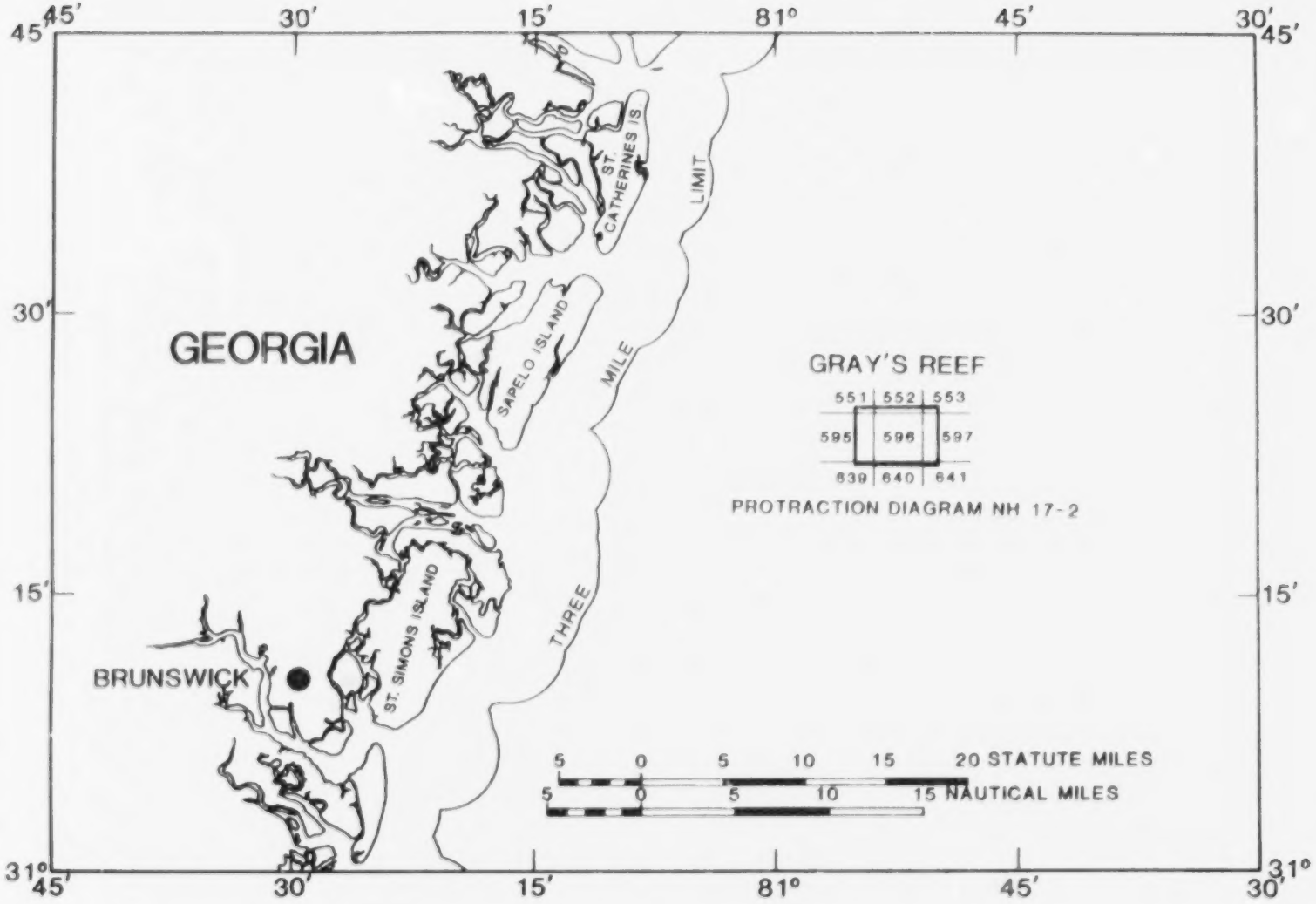
15) The Flower Garden Banks - 2 blocks, 11,520 acres.

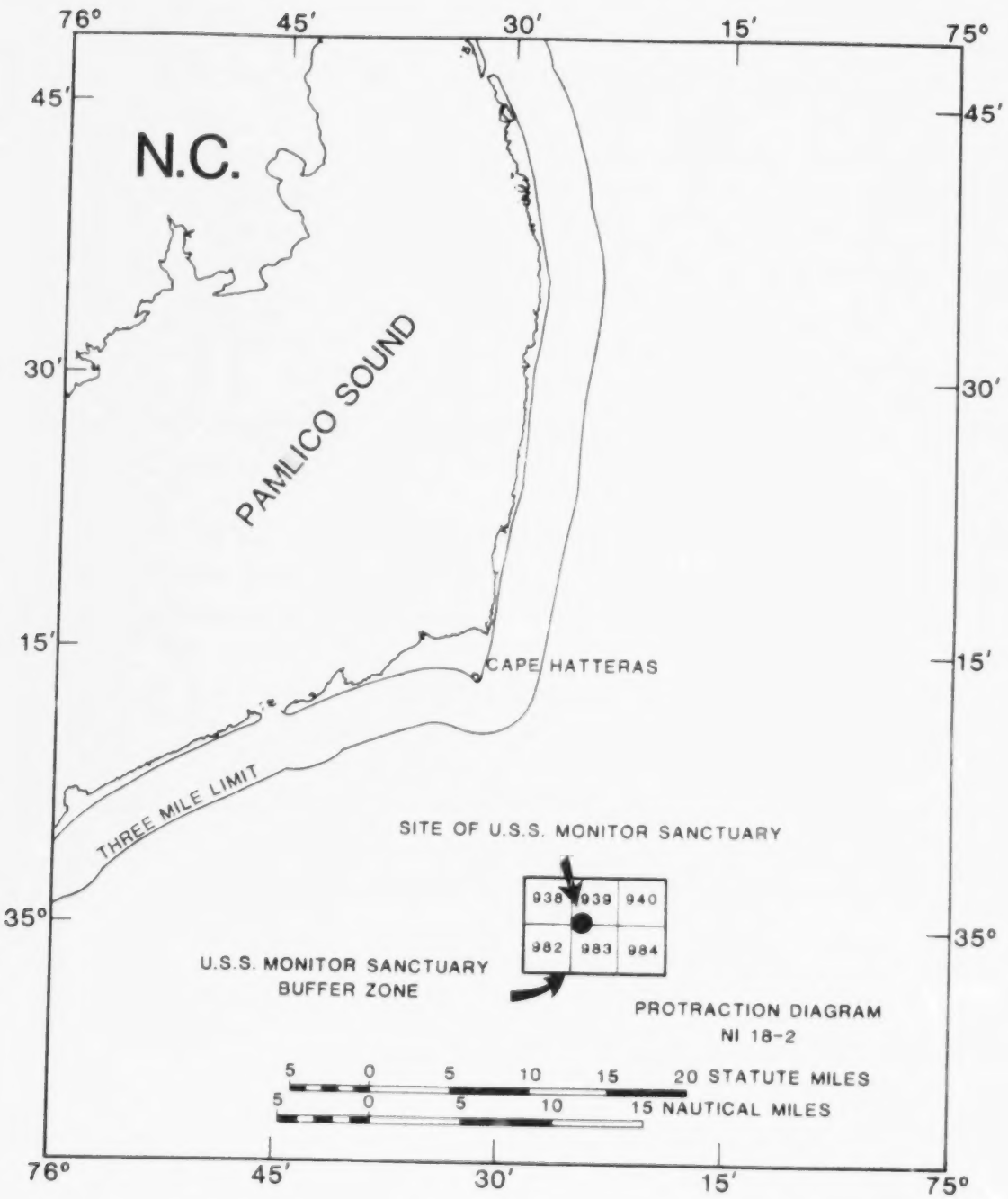

U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
PACIFIC OCS REGION
CENTRAL CALIFORNIA OFFSHORE AREA
SUBAREAS
POINT REYES
WILDERNESS AREA
CORDELL
BANK
126°
125°
POINT REYES-FARALLON ISLANDS
NAT'L MARINE SANCTUARY
SAN FRANCISCO BAY
37°
MONTEREY BAY
BIG SUR
36°

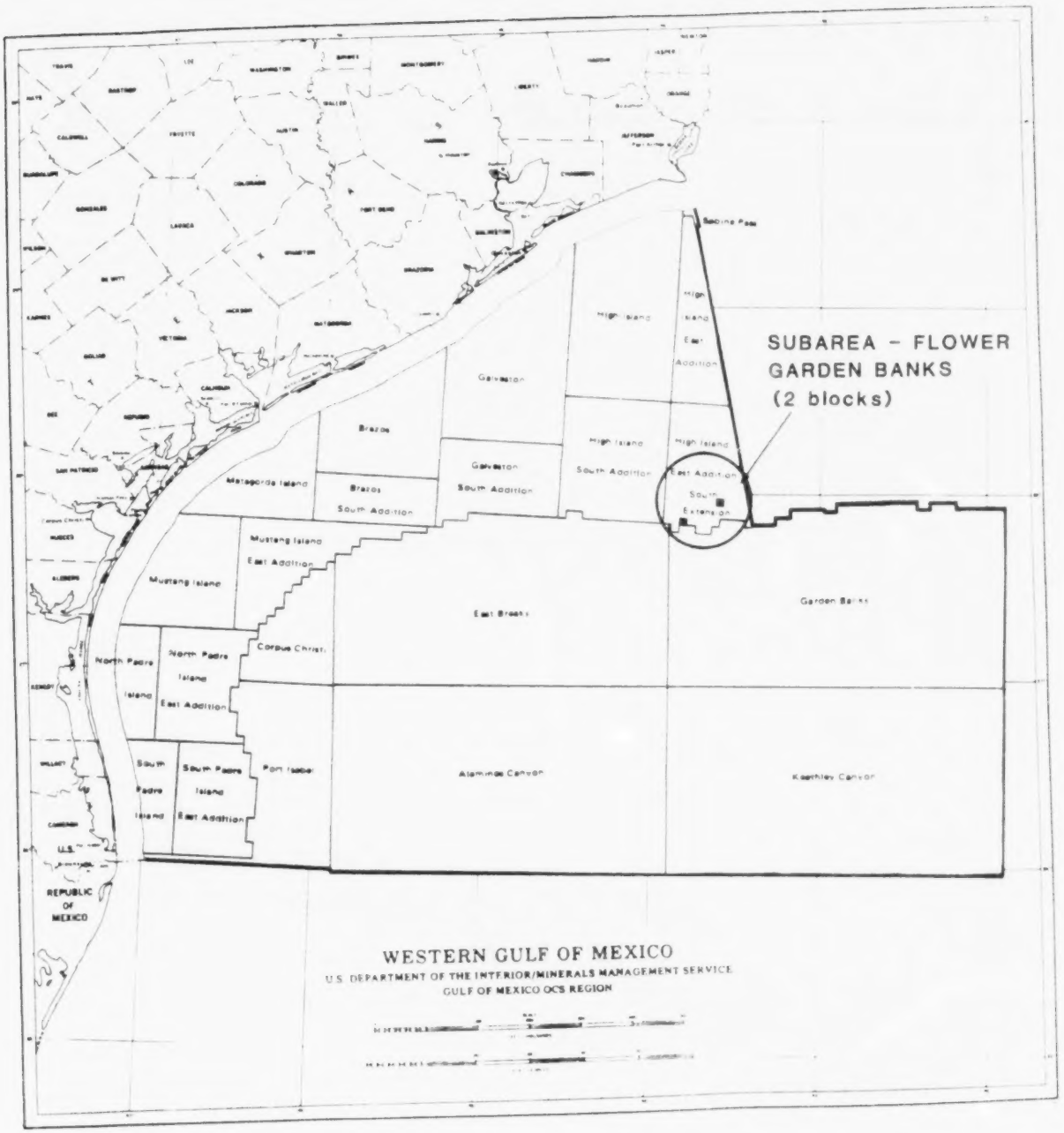

ECOLOGICAL PRESERVE
& BUFFER ZONE
CHANNEL ISLANDS MARINE SANCTUARY
THE COORDINATED ANTI-SUBMARINE WARFARE AREA
(SAN NICOLAS BASIN)
SUBAREA - OFFSHORE SOUTHERN CALIFORNIA
Carpinteria
Ventura Co.
Pitas Pt.
Ventura
Oxnard
Port Hueneme
Pt. Mugu
Los Angeles Co.
Pt. Dume
Santa Monica
Los Angeles
Long Beach
San Pedro
Pt. Fermin
Wilson Rock
Richardson Rock
San Miguel Island
Santa Rosa Island
Santa Cruz Island
Anacapa Island
Santa Barbara Island
Santa Catalina Island
San Nicolas Island
San Clemente Island
6A
6B
6D
50N
40N
30N
20N
10N
120W
118W
116W
114W


LEON
JEFFERSON
MADISON
BAKER
WAKULLA
SUWANNEE
COLUMBIA
TAYLOR
LAFAYETTE
UNION
CLAY
BRADFORD
GILCHRIST
ALACHUA
DIXIE
FLORIDA
LEVY
MARION
CITRUS
SUMTER
HERNANDO
PASCO
HILLSBOROUGH
TAMPA
CLEARWATER
PINELLAS
LARGO
ST. PETERSBURG
MANATEE
SEAGRASS BEDS
FLORIDA MIDDLE GROUND
SUBAREA - OFFSHORE E. GULF OF MEXICO


82°
28° 17' 10"
80°
78°
28°17'10"
83°
28°
TAMPA
FT PIERCE
FLORIDA
FT MYERS
26°
MIAMI
25°07'
DRY TORTUGAS
MARQUESAS KEYS
FLORIDA KEYS
24°
83°
82°
80°
78°
0
50
100
MILES
U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ATLANTIC OCS REGION
STRAITS OF FLORIDA PLANNING AREA
EXPLANATION
DEFERRED FROM LEASING


45'
30'
15'
81°
45'
30'
45'
30'
15'
31°
45'
30'
15'
81°
45'
30'
31°
GEORGIA
BRUNSWICK
ST. SIMONS ISLAND
SAPELO ISLAND
ST. CATHERINES IS
THREE MILE LIMIT
GRAY'S REEF
551 552 553
595 596 597
639 640 641
PROTRACTION DIAGRAM NH 17-2
5 0 5 10 15 20 STATUTE MILES
5 0 5 10 15 NAUTICAL MILES


76°
45′
30′
15′
75°
N.C.
PAMLICO SOUND
CAPE HATTERAS
THREE MILE LIMIT
SITE OF U.S.S. MONITOR SANCTUARY
938
939
940
982
983
984
U.S.S. MONITOR SANCTUARY
BUFFER ZONE
PROTRACTION DIAGRAM
NI 18-2
5 0 5 10 15 20 STATUTE MILES
5 0 5 10 15 NAUTICAL MILES
35°


SUBAREA - FLOWER GARDEN BANKS (2 blocks)
Sabine Pass
High Island
High Island East Addition
Galveston
Brazos
High Island South Addition
High Island East Addition South Extension
Galveston South Addition
Matagorda Island
Brazos South Addition
Mustang Island East Addition
Mustang Island
East Breaks
Garden Banks
North Padre Island
North Padre Island East Addition
Corpus Christi
South Padre Island
South Padre Island East Addition
Port Isabel
Alaminos Canyon
Keathley Canyon
U.S.
REPUBLIC OF MEXICO
WESTERN GULF OF MEXICO
U.S. DEPARTMENT OF THE INTERIOR/MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

IV) Subareas Highlighted for Further Analysis and Comment

1-3) Three subareas extending 15 nautical miles offshore, in the North, South, and Mid-Atlantic planning areas.

4) The Gulf of Maine, north of 42° 30 N. latitude: 1,846 blocks; 10,509,617 acres.

5) The National Aeronautics and Space Administration Flight Clearance Zone offshore Cape Canaveral (extending to 170 nautical miles offshore and consisting of approximately 3,842 blocks).

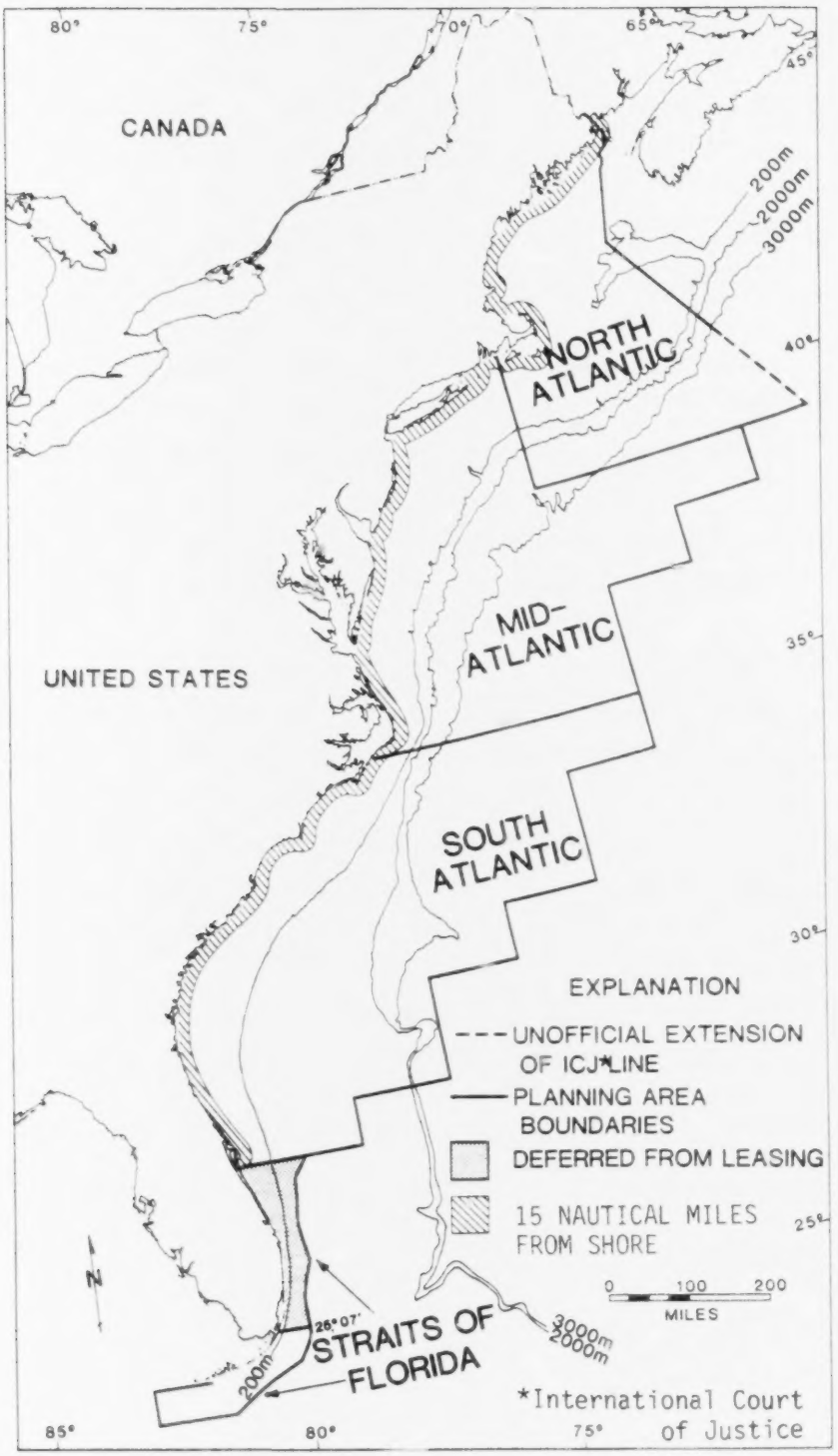
6) A subarea extending between 20 and 30 nautical miles offshore the Florida Gulf Coast from Naples to Apalachicola.

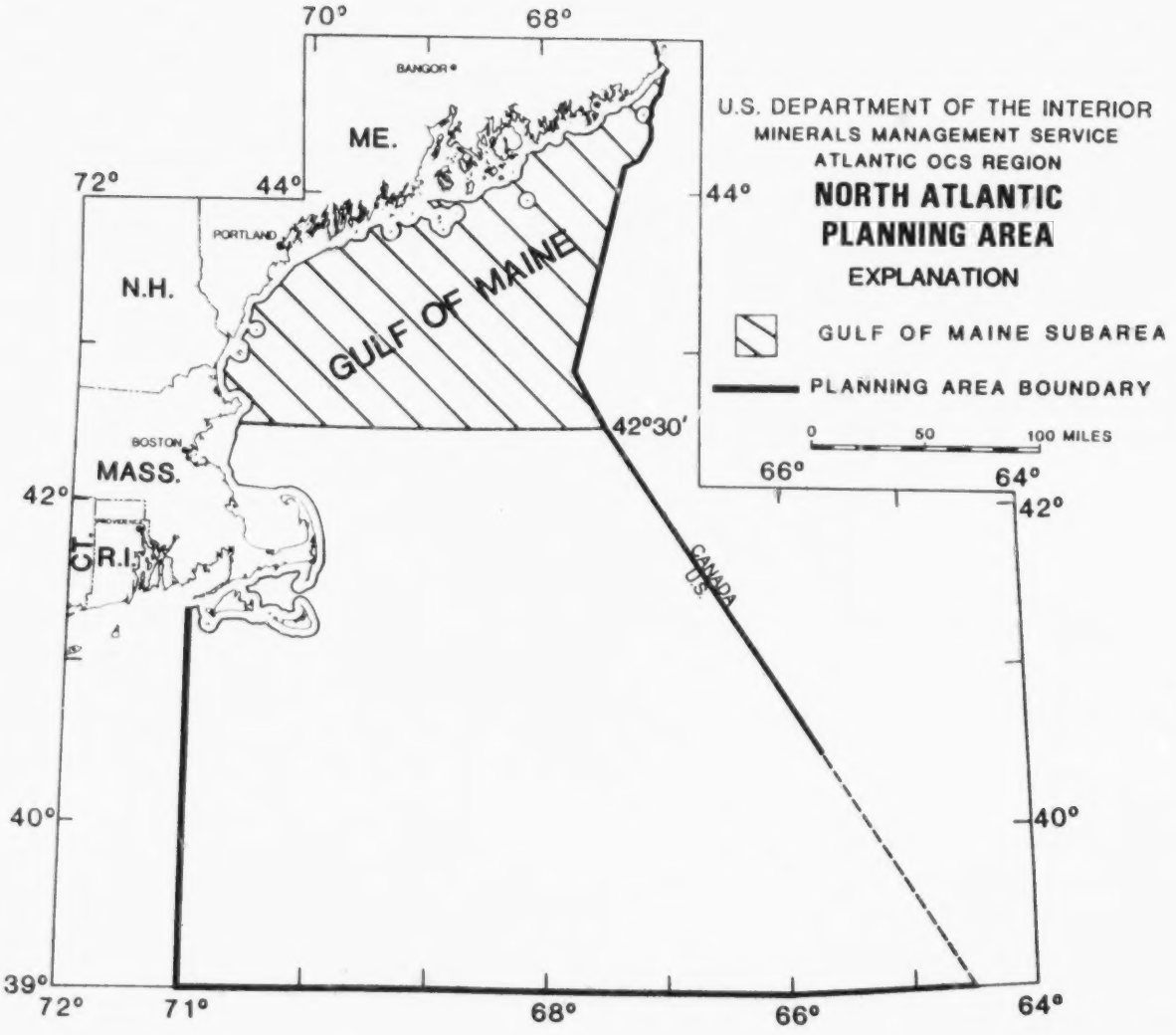
7) The subarea south of 26° N. latitude and east of 82° W. longitude in the "Miami" official protraction diagram offshore Florida in the Eastern Gulf of Mexico (1,072,025 acres).

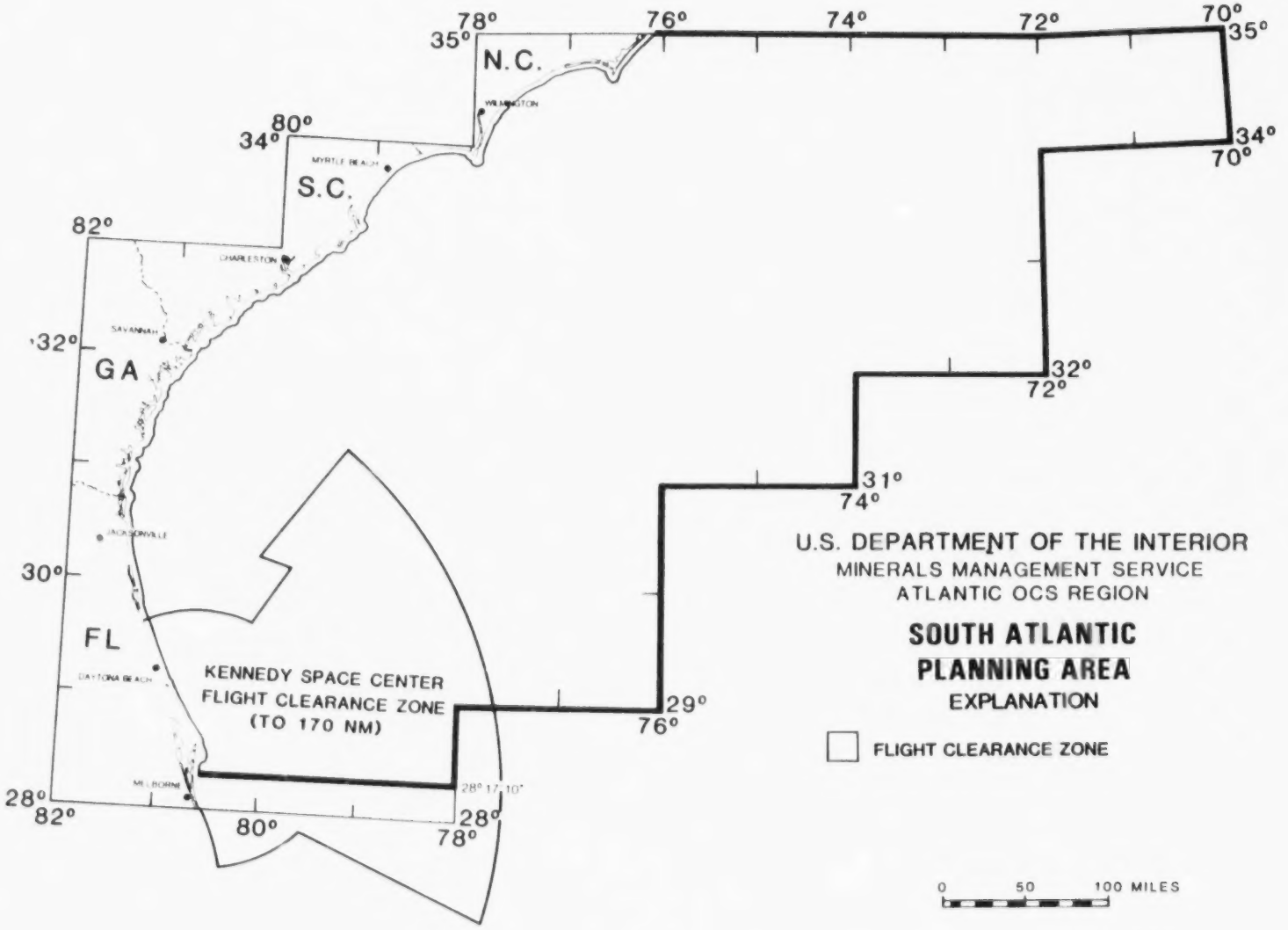
8-10) Three subareas estimated by MMS to be beyond the area of hydrocarbon potential in the Washington-Oregon, Northern California, and Central California planning areas.

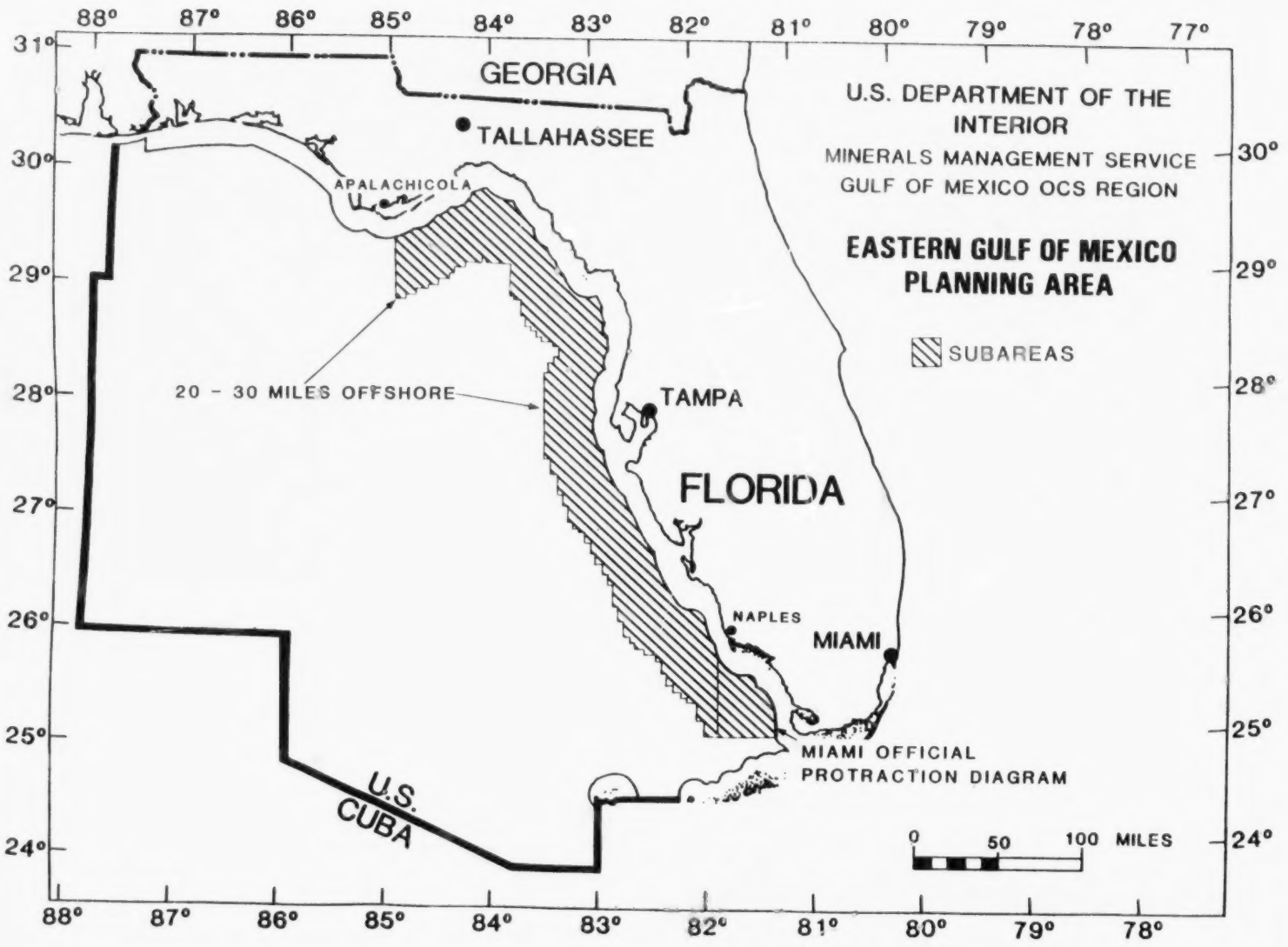
11-12) Two subareas totaling 210 blocks adjacent to Unimak Pass in the St. George Basin and the North Aleutian Basin planning areas offshore Alaska.

13) A subarea of 59 blocks offshore Point Barrow, Alaska.

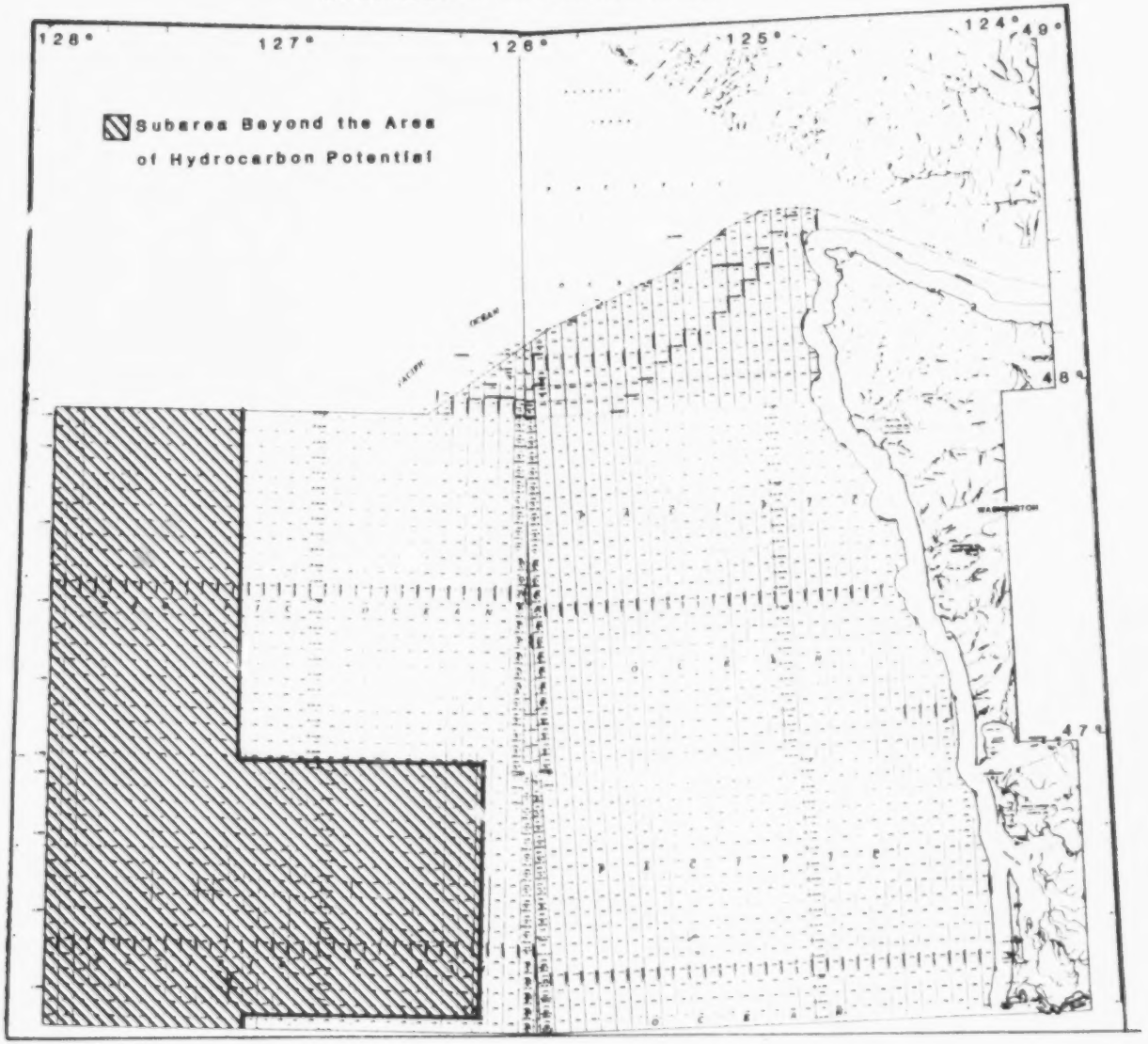

80°
75°
70°
65°
45°
CANADA
200m
2000m
3000m
NORTH ATLANTIC
40°
MID-ATLANTIC
UNITED STATES
35°
SOUTH ATLANTIC
30°
EXPLANATION
UNOFFICIAL EXTENSION OF ICJ*LINE
PLANNING AREA BOUNDARIES
DEFERRED FROM LEASING
15 NAUTICAL MILES FROM SHORE
25°
N
0 100 200
MILES
26°07'
STRAITS OF FLORIDA
200m
3000m
2000m
*International Court of Justice
85°
80°
75°


70°
68°
BANGOR
ME.
72°
44°
PORTLAND
N.H.
GULF OF MAINE
44°
42°30'
BOSTON
MASS.
42°
R.I.
CANADA
U.S.
66°
64°
42°
40°
40°
39°
72°
71°
68°
66°
64°
U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ATLANTIC OCS REGION
NORTH ATLANTIC
PLANNING AREA
EXPLANATION
GULF OF MAINE SUBAREA
PLANNING AREA BOUNDARY
0
50
100 MILES

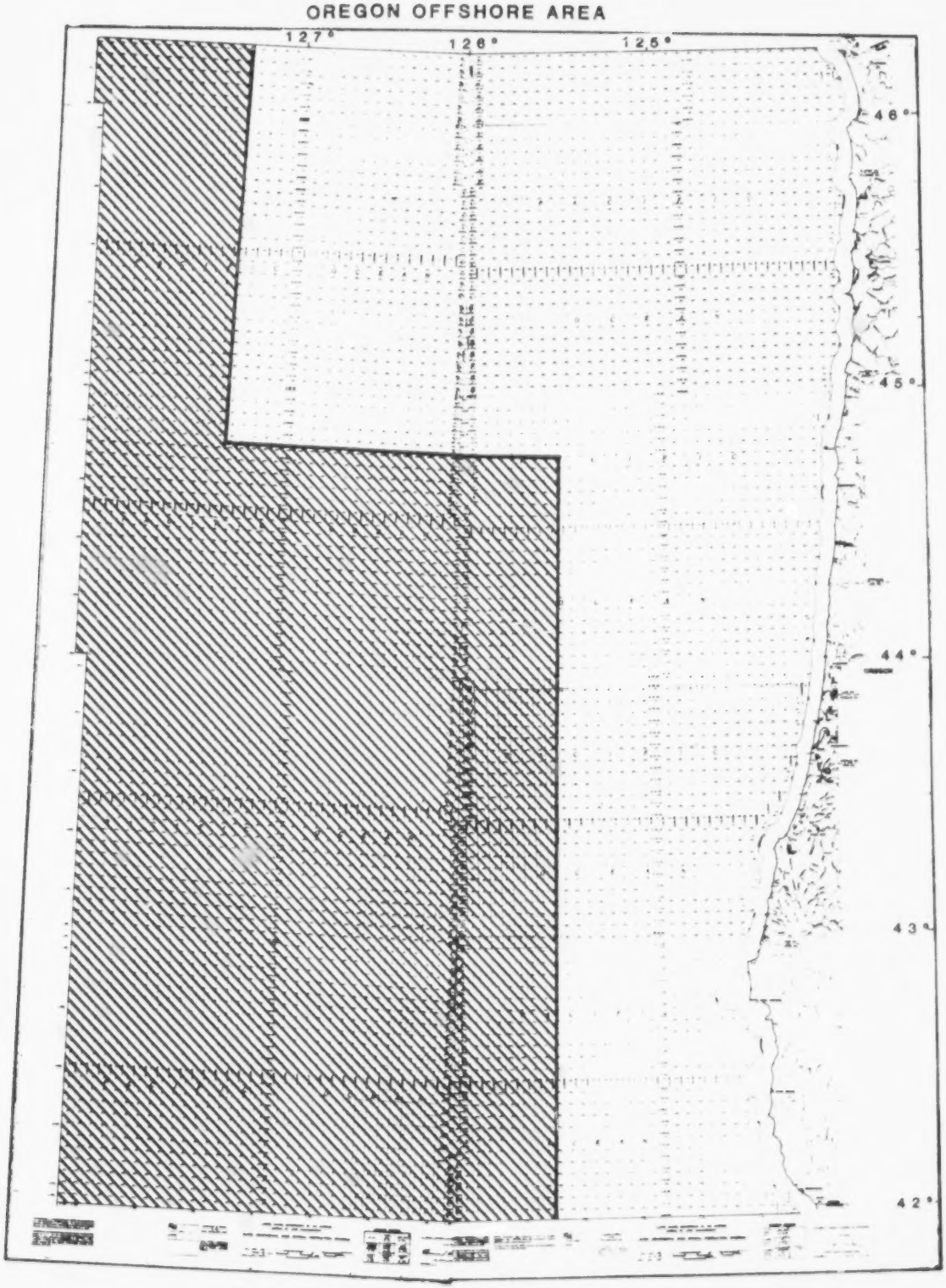

78°
76°
74°
72°
70°
35°
N.C.
WILMINGTON
80°
34°
MYRTLE BEACH
S.C.
34°
70°
82°
CHARLESTON
SAVANNAH
32°
GA
32°
72°
31°
74°
JACKSONVILLE
30°
FL
DAYTONA BEACH
KENNEDY SPACE CENTER
FLIGHT CLEARANCE ZONE
(TO 170 NM)
29°
76°
MELBORNE
28° 17' 10"
28°
82°
80°
28°
78°
U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ATLANTIC OCS REGION
SOUTH ATLANTIC
PLANNING AREA
EXPLANATION
FLIGHT CLEARANCE ZONE
0
50
100 MILES


U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION
EASTERN GULF OF MEXICO PLANNING AREA
SUBAREAS
GEORGIA
TALLAHASSEE
APALACHICOLA
20 - 30 MILES OFFSHORE
TAMPA
FLORIDA
NAPLES
MIAMI
MIAMI OFFICIAL PROTRACTION DIAGRAM
U.S. CUBA
0 50 100 MILES
88° 87° 86° 85° 84° 83° 82° 81° 80° 79° 78° 77°
31° 30° 29° 28° 27° 26° 25° 24°

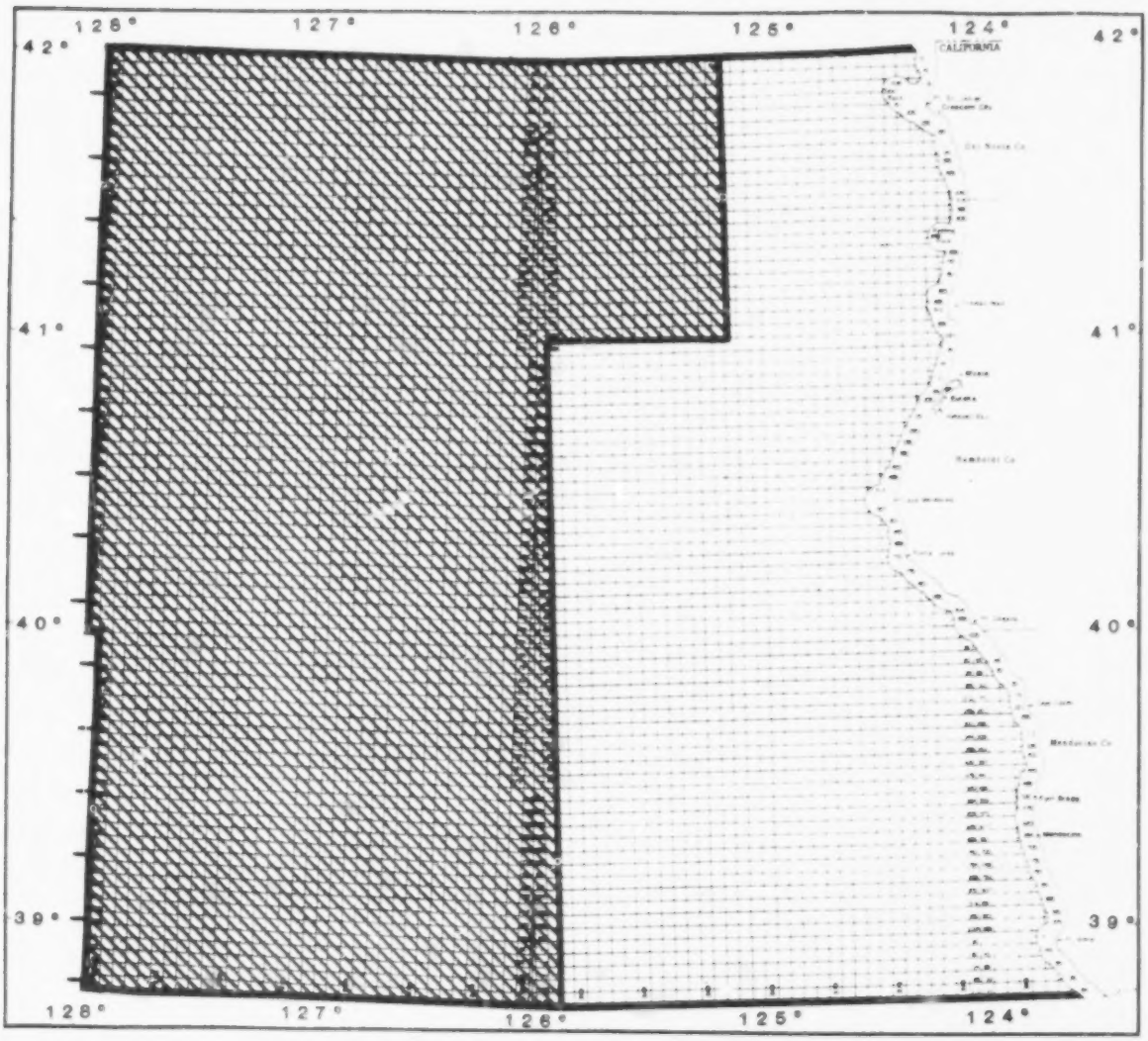
WASHINGTON OFFSHORE AREA



OREGON OFFSHORE AREA

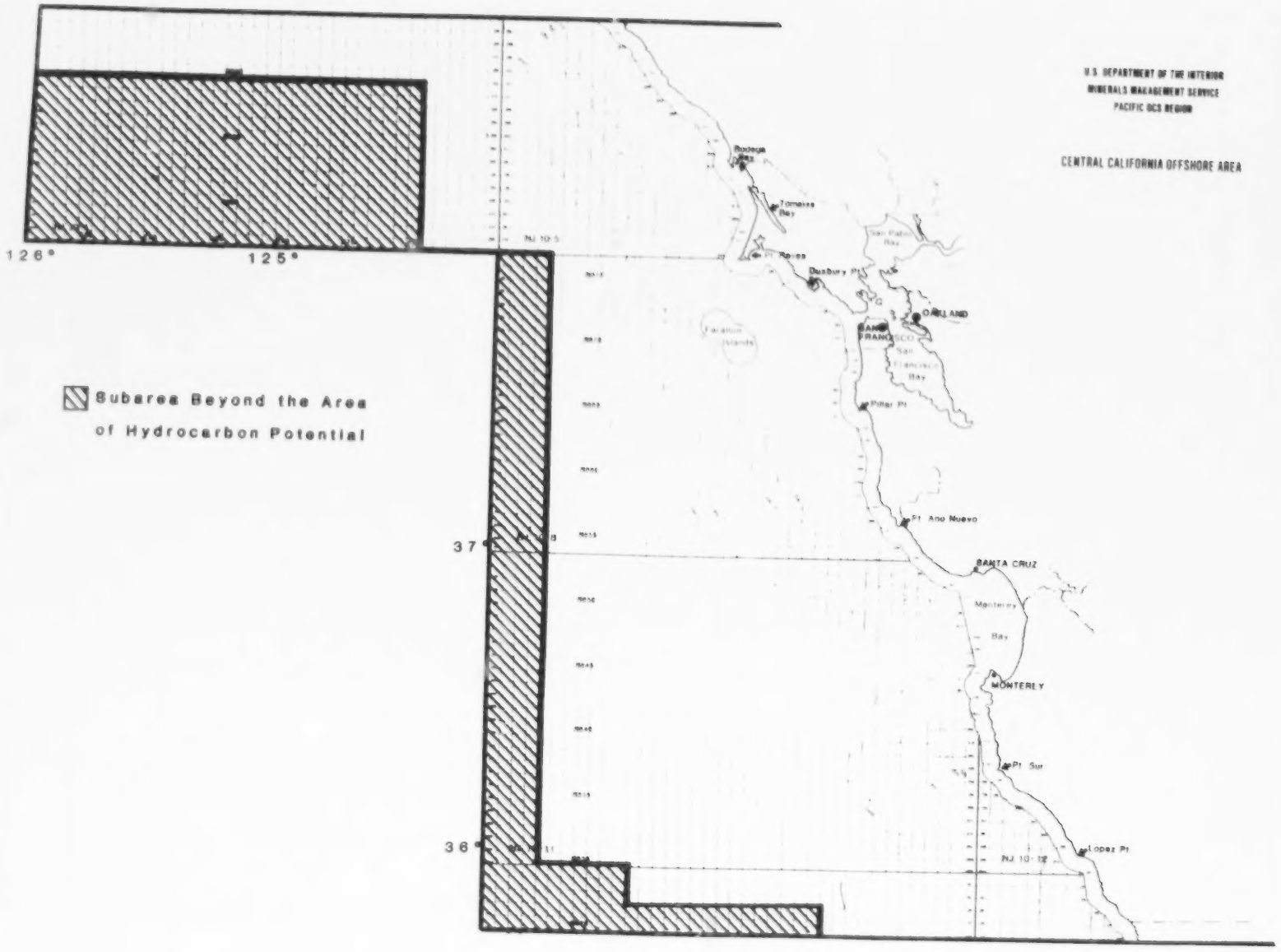


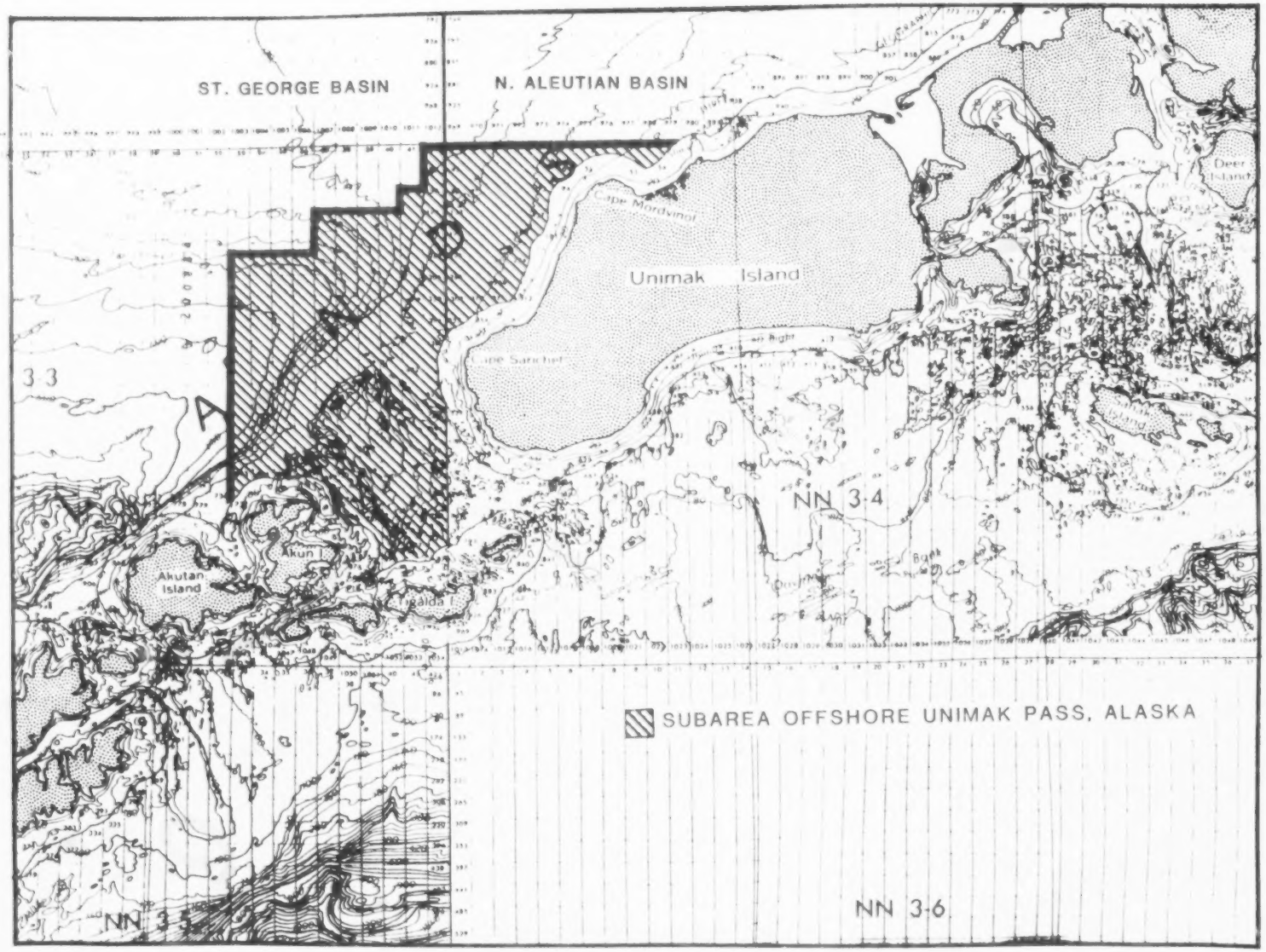
Subarea Beyond the Area of Hydrocarbon Potential

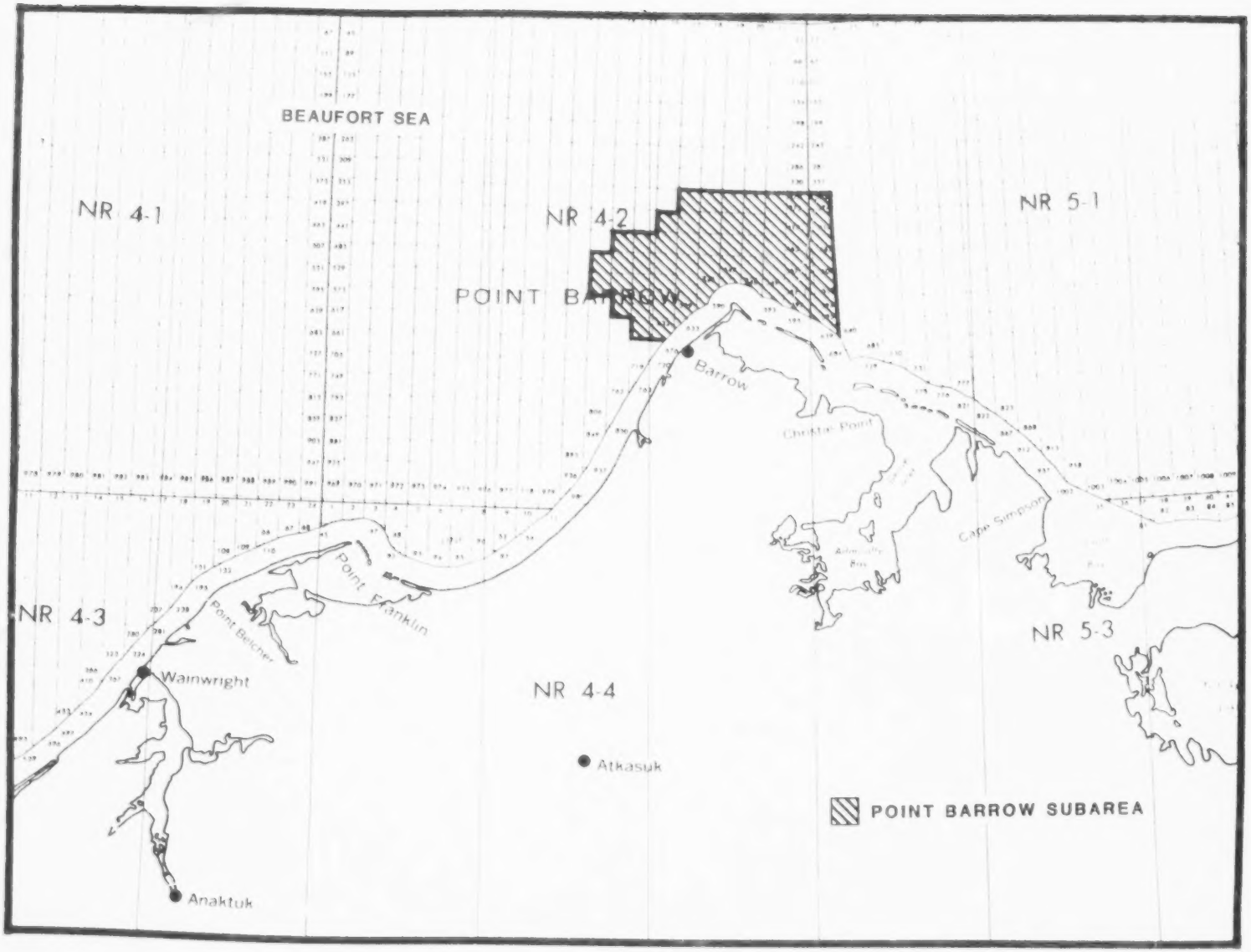


NORTHERN CALIFORNIA OFFSHORE AREA

Subarea Beyond the Area of Hydrocarbon Potential


U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
PACIFIC OCS REGION
CENTRAL CALIFORNIA OFFSHORE AREA
Subarea Beyond the Area of Hydrocarbon Potential
128°
125°
37°
36°
Point Reyes
Tomales Bay
Bodega Bay
Duxbury Pt.
San Pablo Bay
OAKLAND
SAN FRANCISCO
San Francisco Bay
Farallon Islands
Pillar Pt.
Pt. Ano Nuevo
SANTA CRUZ
Monterey Bay
MONTERLY
Pt. Sur
Lopez Pt.
NJ 10-5
NJ 10-12


ST. GEORGE BASIN
N. ALEUTIAN BASIN
Unimak Island
Cape Mordvinof
Cape Sarichef
Deer Island
Akutan Island
Akun I.
Tigalda I.
3 3
NN 3-4
NN 3-5
NN 3-6
SUBAREA OFFSHORE UNIMAK PASS, ALASKA


BEAUFORT SEA
NR 4-1
NR 4-2
NR 5-1
POINT BARROW
Barrow
Christie Point
Cape Simpson
Point Franklin
Point Belcher
NR 4-3
NR 5-3
Wainwright
NR 4-4
Atkasuk
Anaktuk
POINT BARROW SUBAREA

SUMMARY OF CONSIDERATION GIVEN TO FACTORS SPECIFIED IN SECTION 18 OF THE OUTER CONTINENTAL SHELF LANDS ACT IN DEVELOPING THE PROPOSED 5-YEAR OUTER CONTINENTAL SHELF OIL AND GAS LEASING PROGRAM FOR 1987-1991

Summary of Consideration Given to Factors
Specified in Section 18 of the Outer Continental Shelf (OCS) Lands Act in
Developing the Proposed 5-Year OCS Oil and Gas Leasing Program
for 1987 Through 1991

The proposals regarding timing and location of leasing activity in the Proposed Program reflect judgments on the considerations specified by sections 18(a)(2) and 18(a)(3) of the OCS Lands Act, as amended. The selection of the proper balance required by section 18(a)(3) is to be based on a consideration of the factors specified in section 18(a)(2).

SECTION 18 REQUIREMENTS

Section 18(a)(2) specifies that:

> Timing and location of exploration, development, and production of oil and gas among the oil- and gas-bearing physiographic regions of the OCS shall be based on a consideration of -
>
> (A) existing information concerning the geographical, geological, and ecological characteristics of such regions;
>
> (B) an equitable sharing of developmental benefits and environmental risks among the various regions;
>
> (C) the location of such regions with respect to, and the relative needs of, regional and national energy markets;
>
> (D) the location of such regions with respect to other uses of the sea and seabed, including fisheries, navigation, existing or proposed sealanes, potential sites of deepwater ports, and other anticipated uses of the resources and space of the OCS;
>
> (E) the interest of potential oil and gas producers in the development of oil and gas resources as indicated by exploration or nomination;
>
> (F) laws, goals, and policies of affected States which have been specifically identified by the Governors of such States as relevant matters for the Secretary's consideration;
>
> (G) the relative environmental sensitivity and marine productivity of different areas of the OCS; and
>
> (H) relevant environmental and predictive information for different areas of the OCS.

Section 18(a)(3) of the OCS Lands Act provides that:

> The Secretary shall select the timing and location of leasing, to the maximum extent practicable, so as to obtain a proper balance between the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone.

The following discussion explains the basis for the proposals set forth in the Proposed Program in terms of, first, the section 18(a)(3) balance, and, second, its basis in the consideration of the section 18(a)(2) factors.

BALANCING PURSUANT TO SECTION 18(a)(3)

In its 1983 decision which upheld the current leasing program, the U.S. Court of Appeals for the District of Columbia Circuit endorsed the interpretation of the section 18(a)(3) balancing requirement reflected in the analysis on which the July 1982 program was based. That analysis included a quantitative weighing of the costs and benefits of leasing in the various planning areas which considered the factors specified in section 18(a)(2) and, in addition, a separate consideration of the non-quantifiable factors specified by section 18.

--The Comparative Analysis of Planning Areas

The comparative planning area analysis for the development of the new Proposed Program which appears in Part II of the October 1985 Secretarial Issue Document (SID) is modeled on the one upheld by the court. The comparative analysis identifies for each planning area a range of: (1) estimated hydrocarbon resources; (2) their estimated net economic value (the market value of production less the direct costs of production and transportation to market); (3) the estimated social costs of their production (certain measurable potential socioeconomic and environmental costs) taking into account to the extent possible the relative environmental sensitivity and marine productivity of each area; and (4) estimated net social value (estimated net economic value less estimated social costs). Thus, the comparative analysis provides a means for addressing in quantitative terms the balance called for by section 18(a)(3) based upon consideration of the section 18(a)(2) factors. Presenting ranges of values for all four of these measures was a new feature of the Proposed Program SID and was designed to make clearer the uncertainty inherent in the real choices faced by the Secretary in planning for exploration for undiscovered resources.

The comparative analysis was based on the best professional judgment of Department of the Interior (DOI) analysts on what aspects of the section 18(a)(2) factors are appropriate for quantification and the appropriate values which should be used in that quantification. These judgments, both in terms of environmental and economic factors, were based in part on historical experience.

The analysis for the Proposed Program was revised in a number of ways, based upon comments on the Draft Proposed Program and changed economic conditions. Infrastructure costs (such as local planning costs) were added to social costs and additional sensitivity tests were done concerning the size of potential oil spills. The range of starting oil prices used in the cost-benefit analysis was changed to $19-$29, reflecting the recent decline in oil prices. The net economic value analysis also added a 6 percent discount rate sensitivity test.

--Net Social Value Estimates

The results of the net social value calculation for each planning area are used to divide the planning areas into groups. This approach helps to avoid over-

reliance on their absolute values in the scheduling of sales. These groups are as follows:

High:	Central Gulf of Mexico, Western Gulf of Mexico
Intermediate:	Southern California, South Atlantic, Central California, Northern California, Eastern Gulf of Mexico, Navarin Basin, Mid-Atlantic, Washington-Oregon, Beaufort Sea, St. George Basin, North Atlantic, Straits of Florida, Chukchi Sea, Gulf of Alaska, North Aleutian Basin, Norton Basin.
Low:	Kodiak, Hope Basin, Shumagin, Cook Inlet.

--Other Section 18 Considerations

Other considerations relevant to the scheduling of sales within the framework of section 18 were also considered, including the following:

-Judgments about the degree of precision of and weight which should be attributed to estimates of relative net social value, based on such factors as

  -- The sensitivity of net economic value estimates in the base case to changes in assumptions which correspond to the possibility of changes in the world oil market, including those that could result from an oil supply disruption. This consideration relates to the net social value quantitative balancing of costs and benefits pursuant to section 18(a)(3). The variation in starting oil prices (from $19 to $29 per barrel) and in real oil price growth rates (0 to 2 percent annually) results in a range depicted in Figure 1.

  -- An evaluation of the available geological and geophysical data on which the resource estimates are based. This consideration relates to section 18(a)(2)(A) both in itself and insofar as it contributes to net social value quantitative balancing of costs and benefits pursuant to section 18(a)(3);

-The history of leasing and exploration in an area. This history is the source of the information which the Secretary is required to consider under section 18(a)(2)(A) and a necessary consideration for making a decision on a leasing program under section 18(a);

-The relative marine productivity/environmental sensitivity analysis considered in itself, as well as an input to the social cost analysis. This consideration is required by section 18(a)(2)(G).

-The desirability of acquiring new geological and geophysical data through exploratory work, including the drilling attendant on leasing. This consideration is specified as one of the purposes of the OCS Lands Act Amendments, which also added section 18--see OCSLAA section 102(9)--and it relates to a crucial element in complying with the section 18(a) standard that the program be such as to best meet national energy needs.

OIL PRICE SCENARIOS FOR THE 5-YEAR OCS LEASING PROGRAM

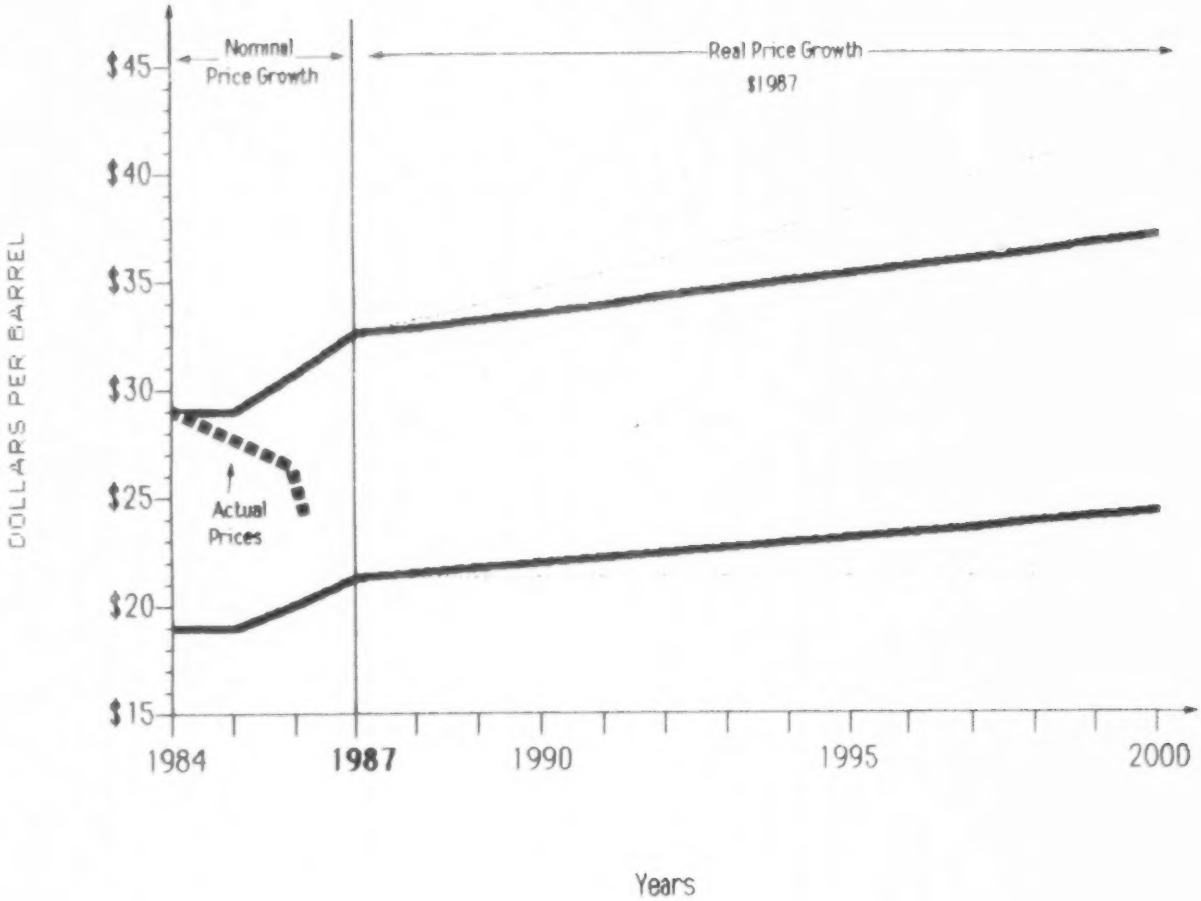


Figure 1

The variation in oil prices used to estimate leasable resources and net social value for the 5-Year OCS Leasing Program is depicted by the bold lines. The $19 and $29 starting prices reflect a range of weighted average FOB prices of U.S. imports of oil at the time when the analysis began in 1984. These prices are then adjusted for real price growth and inflation (nominal price growth) to arrive at January 1987 starting prices of oil for the 5-Year Program. Thereafter, prices are adjusted assuming a 1% annual real price growth. The broken lines reflect a wider range of real price growth assumptions for sensitivity analysis.

-The desirability of follow-up sales in areas with scheduled sales and/or existing leases. This consideration is based on the provision of section 18(a) that the leasing program be one which the Secretary determines will best meet national energy needs.

-The avoidance of drainage of unleased blocks. This consideration is based on the requirement of section 18(a) that the program meet national energy needs and section 18(a)(4) that DOI obtain fair market value for lands leased and rights conveyed.

-Time necessary to acquire useful data from blocks leased in the preceding sale in an area. This consideration is related to the requirement that the leasing program meet national energy needs and the requirement of section 18(a)(4) that DOI obtain fair market value for lands leased and rights conveyed.

-Administrative considerations, including the cost of offering an area in a sale. If an area is being offered for the first time or after a long hiatus in leasing, the cost of holding a sale, including environmental studies, would be higher than in the case where funds have already been expended for studies and other presale analysis. The marginal costs of holding an additional standard sale in an area is estimated to be approximately $1 million. This consideration reflects the section 18(b) requirement that the Secretary include in the leasing program estimates of appropriations and staff for carrying it out. Section 18(b) makes clear the congressional view of the relevance of administrative resources and limitations to the formulation of a leasing program under section 18(a).

-Comments in response to the July 11, 1984, and March 22, 1985, Federal Register Notices, including comments of States and industry rankings of areas by resource potential and by exploration interest. In interpreting net social value estimates prepared by the Minerals Management Service (MMS) for the purpose of formulating a 5-year leasing program, it should be noted that section 18(a)(2)(E) specifically requires consideration of the interest of potential producers of oil and gas. Of particular significance are those cases in which industry ranks an area differently from MMS. For example, industry ranked the Beaufort Sea in the top three of all areas, whereas MMS resource estimates show Beaufort Sea in the middle of all areas (not including estimated gas resources deemed not economically recoverable for the relevant period.)

Based on the analysis, certain preliminary judgments were made about location and timing using the following guidelines: that an area should be considered for inclusion in the program if the estimated benefits of oil and gas activities there exceed the estimated costs; and that the areas with the greatest estimated net social value should be offered most frequently. These preliminary judgments were used in the formulation of the decision options for the new program.

--Proposals Included in the Proposed Program

On the basis of net social value calculations, industry interest, and other considerations appropriate within the framework of section 18, the following policies were selected for the Proposed Program:

Configuration of Planning Areas

The Proposed Program configures the OCS into 26 planning areas. Sales are proposed in 21 of those 26 areas. In addition, as a part of the consultation process, and as an indication of the Secretary's intention to focus on promising acreage during the presale process, 15 portions of planning areas ("subareas") have been deferred from leasing for the 5 year duration of the Proposed Program. Thirteen other subareas have been highlighted for further analysis and comment and will be considered for the decision on the Proposed Final Program.

Size of Lease Sales

The Proposed Program provides that the size of lease sales be determined by a presale process which focuses on promising acreage. Promising acreage is defined as acreage likely to have a potential for exploration and/or development of oil and gas resources. That determination will be made by means of a consultative process which will provide for the early resolution of conflicts based on information and nominations obtained from affected State and local governments, Federal Agencies, the public, and potential bidders, as well as MMS analysis.

The offering of promising acreage will allow DOI to make available for lease areas of hydrocarbon potential as identified by industry and MMS, while remaining cognizant of the particular circumstances relevant to each sale. The various OCS areas and the adjacent onshore regions vary significantly in terms of exploration and development history, onshore support capability, environmental characteristics, and possible multiple-use conflicts. In preparing for leasing activity, regional differences will be taken into account on a case-by-case, sale-by-sale basis, and the emphasis will be on early consultation, and, wherever possible, consensus.

Annual Sales in the Central and Western Gulf of Mexico

The two areas in the High net social value group--the Central and Western Gulf of Mexico--are proposed for annual offerings. Industry also ranks these areas as the two areas of highest interest. Drainage and field development considerations also figure strongly in the timing of lease sales in the Central and Western Gulf of Mexico. The MMS estimates that because of the level of activity in the Central and Western Gulf of Mexico, there will be about 100 drainage and development blocks in each of those two areas each year. Failure to lease these blocks once drainage begins reduces Federal revenues and can lead to production delays or less than optimal field development.

Triennial Sales in Most Intermediate-Value Planning Areas

Triennial sales are proposed in all Intermediate net social value group areas, except the Gulf of Alaska and the Straits of Florida. The Gulf of Alaska was not scheduled for triennial sales because of low MMS estimates of resources and net social value and low industry interest reflected in responses to the March 1985 Federal Register Notice on the development of the new program. The question of whether to schedule a sale in the southern portion of the Straits of Florida planning area is addressed to commenters in the Federal Register Notice announcing the Proposed Program.

A single OCS sale--the first since 1964--is proposed for 1991 offshore Washington and Oregon given the value of that area's resources and industry interest. The sale for this area is proposed late in the 5-year period to allow time for the necessary environmental studies to be performed.

Frontier Exploration Sales in Nine OCS Areas

Frontier exploration sales are proposed in nine areas of lower value and/or lower interest: the North, South, and Mid-Atlantic; Washington-Oregon; the Gulf of Alaska; Kodiak; Hope Basin; Cook Inlet; and Shumagin.

These frontier exploration sales are designed to add flexibility to the program by providing for the reasonable possibility that changes in geological data and economic or other conditions could create bidding interest in the future in areas which now appear relatively unattractive. For example, a substantial oil price increase (such as might result from an oil supply disruption), if anticipated to be relatively long-term, could make an area now unattractive to potential bidders into one which could be of interest to them. In addition, the proposal of sales in these areas may provide more of an incentive for firms to collect additional data there than would otherwise be the case. That consideration is a salient one for these areas where geological and geophysical data are incomplete.

These frontier exploration sales will include an additional presale step: a Request for Interest scheduled for publication in the Federal Register 4 months prior to the Call for Information and Nominations. Responses to each Request will be used to help determine whether the approximately 2-year presale process should proceed in those areas. The annual review of the program under section 18(e) will also be used to determine whether to proceed with these sales.

Supplemental Sales

The schedule also includes an annual sale for a small number of selected blocks in areas other than the Central and Western Gulf of Mexico: drainage and development blocks; and blocks on which bids were rejected in the preceding year.

The conditional aspect of these sales makes it impossible at this stage to say exactly which areas would be included in any one of them. These sales satisfy the section 18 balancing requirement in that they will offer blocks from areas themselves proposed on the schedule in compliance with the balancing requirement.

These sales will provide for: (1) the expeditious offering of blocks in which serious industry interest can reasonably be anticipated; (2) orderly development of OCS resources (increasing the potential for actual development and reducing the time necessary to bring new fields into production); and (3) minimization of costs of delay. These blocks will only be offered after compliance with the requirements of the National Environmental Policy Act, the OCS Lands Act, and other applicable statutes. The environmental assessment documentation for each of these sales would be released prior to the proposed Notice of Sale. If it is determined that an EIS is required for one of these sales, revised presale milestones will be issued.

Acceleration Provision

The DOI must plan for an unknown future with limited information. Changes in the world energy market as well as exploration results in frontier areas can dramatically affect the demand for offshore leases. The statutory requirement to develop "a schedule of proposed lease sales indicating, as precisely as possible, the size, timing, and location of leasing which [the Secretary] determines will best meet national energy needs for the 5-year period following its approval . . . " must be applied with due recognition that what will be known tomorrow may well be very different from what is known today.

To comply fully with the statutory requirement to meet national energy needs over the 5 years of the program, the schedule should have the flexibility to respond to changing conditions. Thus, the new program includes a provision to accelerate sales in areas of higher value and/or higher interest (but not so as to increase the total number of sales in any planning area in the approved program). The areas where such acceleration would be considered include: Southern California; Eastern Gulf of Mexico; Central California; Northern California; Navarin Basin; Beaufort Sea; North Aleutian Basin; and St. George Basin. Possible criteria for the implementation of the acceleration provision are discussed in the SID and highlighted for public comment in the Federal Register Notice announcing the Proposed Program.

Such a provision would be used only if warranted by changes in economic conditions (for example, substantially higher oil price expectations such as might result from a serious oil supply disruption) or geological data (such as could come from major new discoveries). The question of whether to accelerate a sale in an area would be made on a sale-by-sale basis, as part of the review of the program under section 18(e). No new sales would be added to the program in any planning area under this provision.

This provision meets the balancing requirement of section 18(a)(3) in that it reflects the judgment that the balance struck in the Proposed Program can be undone if circumstances change markedly and that a restoration of the proper balance could require the acceleration of sales as set forth in this provision.

Areas Where No Sales Are Proposed in the Proposed Program

In the four areas with the lowest estimated resources, net social value, and industry interest, no sales are proposed: St. Matthew-Hall; Aleutian Arc; Aleutian Basin; and Bowers Basin. This will permit DOI to concentrate management resources on other areas with higher resource potential and industry interest.

No sale has been scheduled for the remaining southern portion of the Straits of Florida planning area. Further section 18 analysis of and comments on whether a sale should be scheduled in the southern portion of the Straits of Florida planning area will be available for the decision on the Proposed Final Program.

Comments are requested on all elements of the Proposed Program in the Federal Register Notice announcing it.

DETAILED REVIEW OF CONSIDERATION OF SECTION 18(a)(2) FACTORS

Section 18(a)(2)(A), existing information concerning the geographical, geological, and ecological characteristics of such regions, was considered by reviewing the MMS data and analysis in the SID. Additional information provided by comments was also considered. On the basis of this consideration, timing and location as set out above are judged to be appropriate.

Section 18(a)(2)(B) calls for consideration of an equitable sharing of developmental benefits and environmental risks among the various regions. Information was developed and reviewed on possible ways environmental risks and developmental benefits might be distributed if all the oil and gas resources in each planning area were produced. The economic benefits from OCS leasing flow to the U.S. Treasury and to private sector oil- and gas-related firms. The distribution of the private sector benefits parallels the wide national distribution of their ownership. The regional distribution of governmental receipts can be conceptualized in three ways--Federal tax payments, population, and share of Federal intergovernmental funds among the States, as grouped into seven regions. This analysis showed that while the developmental benefits of OCS leasing are shared widely across the Nation, the natural distribution of oil and gas and the environmental resources at risk result in environmental risks being concentrated in only certain coastal areas.

Because of this unevenness of the distribution of hydrocarbon and environmental resources, careful consideration was given to the "equitable sharing" question in determining the timing and location of sales as set out above. A balance was struck which allows for the testing of promising areas and provides for the protection of important marine and coastal resources.

Careful attention was also paid to the "equitable sharing" question with respect to scheduling 5 sales off California. California is projected to receive the largest share of developmental benefits from the program of any coastal State calculated with respect to Federal tax payments and population. The OCS off California contains areas believed to be especially promising for the discovery of oil and gas potential (including a known area of production), does not present the harsh climatic conditions encountered in frontier areas off Alaska, and has had relatively little Federal leasing off large parts of its coast considering its potential.

It is also worth noting that some areas--including California, Oregon, and Washington--may bear some costs resulting from the transshipment of oil produced offshore Alaska. For each of these three States, however, benefits are projected to outweigh costs by far.

The location of promising areas off Alaska led to the proposal of 10 standard and 5 frontier exploration sales proposed for Alaska OCS areas. The concern for an "equitable sharing," among other factors, led to adjustments in the schedule to accommodate the requests of the State of Alaska. For example, sales offshore Alaska have been proposed so as not to exceed three per calendar year in the new program, except in 1991 where the schedule shows five Alaska sales, including four frontier exploration sales. If present trends of low industry interest in these frontier exploration sale areas continue, it is questionable whether any of them would actually be held.

In its 1983 opinion, the court upheld the grouping of OCS planning areas by their relative net social value as the general basis for scheduling OCS lease sales. The court also provided, however, for the modification of the net social value basis of scheduling sales with respect to frontier areas so that the regional contribution to the achievement of the overall purposes of the OCS Land Act Amendments of 1978 (OCSLAA) could be made more equitable. The first such purpose is to "establish policies and procedures for managing the oil and natural gas resources of the OCS which are intended to result in expedited exploration and development of the OCS in order to achieve national economic and energy policy goals, assure national security, reduce dependence on foreign sources, and maintain a favorable balance of payments in world trade" (OCSLAA section 102(1)). In this context, the court explicitly upheld " . . . the Secretary's interpretation of the congressional intent to expedite offshore lease sales, particularly in frontier areas" (emphasis in the original).

Thus, the scheduling of OCS lease sales in frontier areas contributes to the equitable sharing of costs among regions, balancing the contribution made by mature production areas such as the Gulf of Mexico.

The benefits which accrue to the Gulf of Mexico region far outweigh the costs--as is the case for all regions. The costs estimated for the Gulf of Mexico region in the October 1985 SID are, however, somewhat higher than in the 1982 analysis. The base case analysis in the October 1985 SID uses estimates of the average size of oil spills by tankers and of tanker spill rates which are lower than those used in the analysis for the 1982 program. Those reductions however, effectively raise the estimate of social costs in the Gulf of Mexico because of the corresponding decline in the estimate of the damages avoided because of the Gulf of Mexico OCS production which comes ashore through pipelines, backing out imported oil and the tanker spills related to it.

From the national perspective, the net social value analysis suggests that billions of dollars of benefits to the Nation as a whole could be lost from unduly restricting oil and gas leasing in the Gulf of Mexico.

Recognition of the differences among the planning areas in the Gulf of Mexico is reflected in the proposed scheduling of sales in the Eastern Gulf of Mexico on a triennial rather than an annual basis.

In conclusion, the developmental benefits of OCS leasing are shared widely while the environmental risks are concentrated in regions adjacent to the areas of the OCS in which most of the unleased oil and gas resources are expected to be leased and produced. The uneven burden of environmental risk is, however, reduced by compensation that will be provided pursuant to the OCSLAA to those who may suffer damages from oil spills or commercial fishing gear losses.

The next consideration was section 18(a)(2)(C), the location of regions with respect to, and the relative needs of, regional and national energy markets. Attention was given to advice provided by the Department of Energy. Transportation networks do not pose a major constraint on further subarctic OCS production, as they will be modified to serve economically viable hydrocarbon discoveries. Nonetheless, environmental and/or economic costs could restrict the availability of transportation networks in a few cases. For example, in the case of Beaufort Sea and Chukchi Sea, the difficulties of

transporting natural gas from those areas resulted in the net social value projections for those two planning areas excluding the value of natural gas estimated to be present there, but not expected to be commercially recoverable for the period relevant to the new 5-year program.

Information was reviewed relating to section 18(a)(2)(D), the location of such regions with respect to other uses of the sea and seabed, including fisheries, navigation, existing or proposed sealanes, potential sites of deepwater ports and other anticipated uses of the resources and space of the OCS. Consideration was given as to whether any of these other uses, taking into account possible mitigation, pose any irresolvable conflicts which would justify deleting an entire planning area from the program or providing for a slower pace of leasing. No such irresolvable conflicts were found, particularly because of the demonstrated ability of DOI to resolve problems through imposition of special requirements on lessees and through block deletions, or in an extreme case, sale cancellation, and because of the Oil Spill Compensation Fund and the Fishermen's Contingency Fund, both established by the OCSLAA.

Information relating to section 18(a)(2)(E), the interest of potential oil and gas producers in the development of oil and gas resources as indicated by exploration or nomination, was reviewed. Industry interest supported the pace of leasing off the contiguous 48 States which would be derived from the ranking of the areas by net social value. As discussed above, considerable attention was paid to expressions of industry interest in the development of the Proposed Program. For example, three Alaska areas estimated to have approximately the same net social value were treated very differently based in large part on industry interest: North Aleutian Basin and Norton Basin are proposed as standard sales; whereas the Gulf of Alaska is proposed as a frontier exploration sale.

Information described in section 18(a)(2)(F)--laws, goals, and policies of affected States--is treated in Appendix C of the SID. This information was reviewed to determine its implications for the planning of leasing activity. The consideration of coastal zone management plans in the course of the presale process is described in Appendix L of the SID. In addition, the EIS on the 5-year program will contain a description of the relationship between proposed OCS lease sales and approved coastal zone management plans.

Concerning item 18(a)(2)(G), the relative environmental sensitivity and marine productivity of different areas of the OCS, the results of the analysis conducted by DOI were reviewed independently as well as by means of the incorporation of its results in the estimation of potential social costs.

U.S. offshore oil and gas activity has had an excellent environmental record historically. In addition, the presale planning process provides the opportunity for the development of mitigation measures specially tailored for individual situations.

The 5-year program analysis examines the whole OCS, divided into various planning areas, and compares entire planning areas for the purpose of scheduling sales within them. The presale process, under regulations at 30 CFR 256 and section 19 of the OCS Lands Act, provides the best opportunity to concentrate on the detailed characteristics of areas relevant to the size of sales and conditions to be

attached to leases. The presale process also occurs later in time than the issuance of the 5-year program, and thus provides for the use of more up-to-date information of the kind needed to serve as the basis for a decision on whether areas within a planning area will or will not be offered for lease.

The excellent environmental and safety record of the program and the ability to provide mitigation were considered in determining the "potential for environmental damage" and the "potential for adverse impact on the coastal zone" as required by section 18(a)(3). Taking into account the need for major new discoveries of oil and gas, the appropriate balance was determined to be a continuation of strict environmental safeguards in all areas.

Material concerning section 18(a)(2)(H), relevant environmental and predictive information for different areas of the OCS, appears in the SID and was reviewed and considered. The sales offshore Washington-Oregon and in Hope Basin, offshore Alaska, have been proposed in 1991 to allow for the completion of the necessary environmental studies. No cause was found for adjusting the timing and location of other sales which was derived from other section 18 considerations. This conclusion was supported by the fact that the DOI has had in place an environmental studies program since 1973. The environmental studies program started with an annual budget of half a million dollars and has spent approximately $400 million through 1985. Roughly $26 million more is programmed for environmental studies for fiscal year 1986.

CONCLUSION

As is obvious from the foregoing discussions, the section 18(a)(2) factors do not all lead in the same direction. However, section 18 (a)(3) requires that a proper balance be struck, not that each element be maximized. The U.S. Court of Appeals for the D.C. Circuit recognized that discretion is intrinsic to striking the proper balance as required by section 18(a)(3).

After considering the factors specified by section 18(a)(2), it was decided that the timing and location of leasing activity in the Proposed Program represents the required judgment of "a proper balance between the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone."